



No. 43] NEW DELHI, SATURDAY, OCTOBER 6, 1962/ASVINA 14, 1884

## NOTICE

The undermentioned Gazettes of India Extraordinary were published upto the 25th September 1962 :—

Issue No.	No. and Date	Issued by	Subject
299	S.O. 2877, dated 17th September, 1962.	Ministry of Information & Broadcasting.	Approval of films specified therein.
300	S.O. 2878, dated 18th September, 1962.	Ministry of Scientific Research and Cultural Affairs.	This order may be called the International Copyright (Seventh Amendment) Order, 1962.
301	S.O. 2937, dated 20th September, 1962.	Ministry of Commerce & Industry.	Issue of instruments for the limits of variation in respect of trade descriptions of number, quantity, measures, gauge or weight, which are to be recognised by criminal courts as permissible in the case of the goods specified hereunder.
302	S. O. 2938, dated 20th September, 1962.	Ministry of Information & Broadcasting	Approval of films specified therein.
303	S. O. 2939, dated 22nd September, 1962.	Election Commission, India.	Directions with regard to the Conduct of Election Rules, 1961.
304	S. O. 2940, dated 24th September, 1962.	Ministry of Commerce & Industry.	Fixing the 1st day of October, 1962, as the date on which the provisions of the Standards of weights and Measures Act, 1956, shall come into force in the whole of India except the State of Jammu and Kashmir and in the State of Pondichery.
	S.O. 2941, dated 24th September, 1962.	Ministry of Commerce & Industry.	Permitting the continuance of use from the 1st day of October, 1962, of any unit of avar which immediately before that date was in use in respect of similar transactions in areas referred to in the Notification No. S.O. 2940, dated the 24th September, 1962.
	S.O. 2942, dated 24th September, 1962.	Do.	Fixing the 1st day of October 1962, as the date on which the provisions of the said Act, in so far as they relate to units of volume, shall come into force

Issue No.	No. and Date	Issued by	Subject
			in the whole of India except the State of Jammu and Kashmir and, in the State of Pondicherry.
	S.O. 2943, dated 24th September, 1962.	Ministry of Commerce & Industry.	Permitting the continuance of the use for a period of six months from the 1st day of October, 1962, of any unit of volume which immediately before that date was in use in respect of areas.
305	S.O. 2944, dated 25th September, 1962.	Ministry of Scientific Research & Cultural Affairs.	This order may be called the International Copyright (Eighth Amendment) Order, 1962.

Copies of the Gazettes Extraordinary mentioned above will be supplied on indent to the Manager of Publications, Civil Lines, Delhi. Indents should be submitted so as to reach the Manager within ten days of the date of issue of these Gazettes.

### PART II—Section 3—Sub-section (ii)

Statutory orders and notifications issued by the Ministries of the Government of India (other than the Ministry of Defence) and by Central Authorities (other than the Administrations of Union Territories).

#### ELECTION COMMISSION, INDIA

New Delhi, the 7th September 1962

S.O. 3035.—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the *House of the People* from the constituency specified in column 2 thereof, at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, *failed to lodge his account of election expenses in the manner* required by law and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

#### SCHEDULE

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri R. K. Perlasami, 17A, Line Road, Gugal, Salem.	15. Salem.

[No MD-HP/15/62(8)/65357.]

S.O. 3036.—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the *House of the People* from the constituency specified in the corresponding entry in column 2 thereof, at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, *failed to lodge any account of his election expenses and will accordingly* become subject to the disqualification under clause (c) of section 7 of the

Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

## SCHEDULE

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri Chinnasamy, S/o. Kannuppanna Gounder, Aygoundanpalayam, Velampoondi Post, Dharapuram Taluk.	18, Erode

[No. MD-HP/18/62(6)/65528.]

S.O. 3037.—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in column 2 thereof, at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, failed to lodge his account of election expenses in the manner required by law and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

## SCHEDULE

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri K. Muthusamy Gounder, S/o. Kaliappa Gounder, Semmankulikkattuvalasu, Avalpoondurai Post, (Via) Erode.	18, Erode

[No. MD/HP/18/62(7)/65533.]

S.O. 3038.—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the persons shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in column 2 thereof, at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, failed to lodge his account of election expenses within the time required by law and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

## SCHEDULE

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri Vichare Arjun Bapuji, C/o. S. R. Shikhare, RATNAGIRI.	11. RATNAGIRI.

[No. MT-HP/11/62(15)/65540.]

*New Delhi. the 10th September 1962*

S.O. 3039.—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in column 2 thereof, at the election held in 1962 has, in accordance with the decision

given today by the Election Commission under sub-rule (4) of the said rule, failed to lodge his account of election expenses in the manner required by law and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

## SCHEDULE

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri Thangavel Gounder, S/o. Shri Thirumurthi Gounder, Samadharna Nilayam, Vettai Karanpudur P.O. Pollachi Taluk (Madras).	22. Pollachi.

[No. MD-HP/22/62(9)/65557.]

*New Delhi, the 12th September 1962*

**S.O. 3040.**—In pursuance of sub-rule (5) of rule 89 of the Conduct of Election Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in the corresponding entry in column 2 thereof, at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, failed to lodge the accounts of election expenses in the manner required by law and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

## SCHEDULE

Name of contesting candidate	Name of constituency
1	2
Shri V. M. Chinnasami, T.C.R. Garden, Tirupputtur (N.A.) Madras.	Tirupputtur.

[No. MD-HP/13/62(10)/65500.]

*New Delhi, the 13th September 1962*

**S.O. 3041.**—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in the corresponding entry in column 2 thereof at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, failed to lodge any account of his election expenses and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

## SCHEDULE

Name of contesting candidate	Name of constituency
1	2
Shri Arya Bachubhai Girdharilal, Navl Dharti, Goiwad Mohan Mansion, Baroda, (House No. Ra. 4209/3).	Baroda.

[No. GJ-HP/18/62(1)/65371.]

**S.O. 3042.**—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in column 2 thereof, at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, failed to lodge his account of election expenses in the manner required by law and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

**SCHEDULE**

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri Bhatt Kikubhai Pranshanker, Jakore Niwas, Old Modikhana, Baroda, (House No. Ra. 3180/3).	Baroda.

[No. GJ-HP/18/62(2)/65376.]

*New Delhi, the 15th September 1962*

**S.O. 3043.**—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in column 2 thereof, at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, failed to lodge his account of election expenses in the manner required by law and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

**SCHEDULE**

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri Mangla Nand, Jama Masjid Dispensary, Delhi-6.	Chandni Chowk.

[No. DL-HP/2/62(3)/65364.]

*New Delhi, the 20th September 1962*

**S.O. 3044.**—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in column 2 thereof, at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, failed to lodge his account of election expenses within the time and in the manner required by law and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

**SCHEDULE**

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri Vasarambhai Amaram Joshi, Sariad, Taluka Patan.	11-Patan

[No. GJ-HP/11/62(3)]

*New Delhi, the 21st September 1962*

**S.O. 3045.**—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in column 2 thereof, at the election held in 1962 has, in accordance, with the decision given today by the Election Commission under sub-rule (4) of the said rule failed to lodge his account of election expenses in the manner required by law and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

## SCHEDULE

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri Dalip Singh, Railway Road, Nabha.	22—Sangrur

[No. PB-HP/22/62(14).]

*New Delhi, the 21st September 1962*

**S.O. 3046.**—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in column 2 thereof, at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, failed to lodge his account of election expenses within the time and in the manner required by law and will accordingly become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

## SCHEDULE

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri Parkash Singh, Village Mirheri, P.O. Bhadalbad, Tahsil Malerkotla, District Sangrur.	22—Sangrur

[No. PB-HP/22/62(15).]

By Order,

C. B. LAL, Under Secy.

*New Delhi, the 24th September 1962*

**S.O. 3047.**—In pursuance of sub-rule (5) of rule 89 of the Conduct of Elections Rules, 1961, the Election Commission hereby notifies the name of the person shown in column 1 of the Schedule below who having been a contesting candidate for election to the House of the People from the constituency specified in column 2 thereof, at the election held in 1962 has, in accordance with the decision given today by the Election Commission under sub-rule (4) of the said rule, failed to lodge his account of election expenses within the time required by law and will accordingly

become subject to the disqualification under clause (c) of section 7 of the Representation of the People Act, 1951, on the expiration of two months from the date of the said decision.

SCHEDULE

Name and address of contesting candidate	Serial No. and name of constituency
1	2
Shri Murlidhār Rankhbhandhu, Jai Krishnaji Shastri, Hindu Mahasabha Karyalaya, Katra Bazar, Sagar.	Sagar

[No. MP-P/24/62(22).]

By Order,

K. S. RAJAGOPALAN, Under Secy.

MINISTRY OF FINANCE

(Department of Economic Affairs)

New Delhi, the 25th September 1962

REPORT OF THE CENTRAL BOARD OF DIRECTORS OF  
THE RESERVE BANK OF INDIA FOR THE YEAR JULY 1, 1961—JUNE 30, 1962

**S.O. 3048.**—In accordance with section 53(2) of the Reserve Bank of India Act, 1934, the Central Board of Directors has submitted to the Government of India the following report on the working and accounts of the Bank for the year ended June 30, 1962

I. Developments in the Economy

**General.**—In several ways, the year ended June 30, 1962 was one of special stresses and strains which tended to slow down economic development. In the first place, adverse natural factors—floods in some places and drought in others—affected agricultural output which, with raw cotton the worst sufferer, is likely to show only a small increase over the previous year. This followed a record advance in agricultural output in 1960-61 when the weather had been unusually favourable on the whole; the raw jute crop had, however, done worse than in 1959-60 which was itself a bad year for jute. As a result, there was an acute shortage of raw jute in the first few months of the year under review and of raw cotton in the latter half; the shortage of raw cotton coincided with poor prospects of P. L. 480 imports consequent on a shortfall in output in the U.S. The two leading industries, cotton and jute textiles, which account for nearly one-half of the total industrial activity contributing to the production index, were thus affected by a shortage of raw materials. These shortfalls in domestic production along with a reduction in imported raw materials following a tightening of import restrictions—dictated by declining foreign exchange reserves—and some bottlenecks in basic sectors, such as coal, power and transport led to a decline in the rate of growth of industrial output from the all-time high achieved in the preceding year. In 1960-61, national income had risen by as much as 7.1 per cent as a result of the high rate of growth of agricultural as well as industrial output. Some slackening in this rate of increase was to be expected. The rise in national income for the financial year 1961-62 is estimated at about 3 per cent, giving a modest start to the Third Plan and increasing the leeway to be made good during the remaining years.

2. Secondly, imports necessitated by the growing economy continued to be high, though they were less than last year. At the same time there was a small expansion of exports, leading to some improvement in the trade balance. However, the overall balance of payments position showed a deterioration as a result of the unfavourable turn in current 'invisibles' during the year from a traditional surplus to a sizeable deficit. With the onset of the lean season for exports and some delays in reimbursement receipts under aid projects, foreign exchange

reserves declined rapidly and the foreign assets of the Reserve Bank contracted to below Rs. 100 crores. A stand-by agreement for \$ 100 million was, therefore, negotiated with the International Monetary Fund soon after the termination of the year under review to tide over temporary difficulties pending the effect of measures instituted to restore equilibrium in the long-term payments position.

3. Thirdly, the inadequacy of Government resources in the face of stepping up in Plan outlays and increase in other expenditure was reflected in a sharp swing from a surplus of Rs 60 crores\* in the overall budget of the Central Government in 1960-61 to an appreciable deficit amounting to Rs. 71 crores\* in 1961-62, in spite of the imposition of substantial additional taxation in the latter year. The States, notwithstanding substantial loans and grants from the Central Government, including loans to cover their unauthorised overdrafts on the Reserve Bank as on June 30, 1961, incurred a deficit in 1961-62 of Rs. 16 crores† as against Rs. 28 crores† in the previous year.

4. One of the consequences of slower development, by dampening the growth of demand relative to the growth of supply, was some improvement in the price situation. The rise in prices over the accounting year was 1 per cent as compared to 2.6 per cent in 1960-61 and a larger rise of 6.4 per cent in 1959-60, indicating a lessening of the imbalance between aggregate demand and aggregate supply. Again, the growth of monetary resources (which is money supply plus quasi-money i.e., time deposits of banks) during the year was reflected in a more rapid rise of bank deposits than of currency, and thereby helped the banks to strengthen their resources. This process was materially assisted by restoration of confidence in the banking system which had been impaired to some extent in 1960 and by efforts of the banking system itself to broaden its deposit base through a wider network of branches and slightly higher interest rates. The new issue market responded well and the stock exchanges continued to be buoyant with confidence in future prospects, and without the earlier ebullience which had led to a sharp upswing in stock market prices.

5. All in all, 1961-62 witnessed a slackening in the tempo of rapid economic advance and focussed attention on many of the problems which would require to be considered on an urgent basis, if the objective of making the economy self-sustaining in a reasonably short time is to be realised. Against such a background the Reserve Bank's monetary and credit policy of the three-tier system of lending rates introduced on October 1, 1960 was continued throughout the year. Further, early in July 1962, this was substituted by a four-tier system, with smaller quotas of lending at the lower rates, designed to raise the net cost of access to the Reserve Bank by about  $\frac{1}{2}$  per cent or more. At the same time, an increase in the yield on Government securities was effected with the floatation of the new loans. The move to dearer money was in accord with the basic need to economise scarce capital resources. Selective credit policies were as before, adapted to the changing economic conditions. In view of the extended credit position of banks, steps were being considered to strengthen the banking system by raising the liquidity ratio. Also, in view of the steady decline in the capital funds ratio of the banking system, proposals to raise it were discussed and resulted in an agreement whereby Indian banks agreed to transfer to reserves at least 20 per cent of their declared profits till the capital funds reached 6 per cent of their deposits. In order to conserve foreign exchange by curtailing expenditure and by plugging loop-holes in the existing system of exchange control, travel regulations were tightened up.

6. **Output in Agriculture.**—In a country liable to the vagaries of the monsoon, fluctuations in agricultural output are a usual feature. The increase in agricultural output tentatively estimated at 1.6 per cent for 1961-62 is thus to be taken with the increase of 8.1 per cent in the previous year; as such the performance of the agricultural sector considered over a period was not unsatisfactory. Total foodgrains output is expected to be nearly the same as in the previous year when it had amounted to 79.3 million tons. Wheat output touched a new peak 11.6 million tons. The groundnut crop at 47 lakh tons registered an increase of 6.6 per cent over the previous year. Rice is expected to be just marginally short of last year's record of 33.7 million tons. Raw jute achieved an all-time high of 63 lakh bales and even exceeded the Third Five-Year Plan target. Cotton, however, at 45 lakh bales was about 9 lakh bales less than in the previous year.

\*As measured by the change in the cash balance and in *ad hoc* Treasury bills issued to the Reserve Bank.

† As measured by the change in the cash balances and in ways and means advances from the Reserve Bank.



7. This record of production, while emphasising the continuing dependence of the Indian economy on the monsoons, also indicates that the various measures adopted during the past several years whether they relate to the methods of cultivation, use of fertilisers and improved seed, spread of irrigation facilities, or provision of cheap production credit and storage facilities have borne some fruit. This performance simultaneously emphasises the need for further efforts in these directions if the incidence of the erratic behaviour of the monsoons is to be minimised, and the targets indicated in the Third Plan are to be attained. Agriculture is a field in which the role of the State is not only important but crucial, and unless they undertake bold and effective measures, the problem of increasing agricultural production will not be solved, and any failure to solve this problem would have inevitable repercussions on the rest of planning and development. Fortunately, the gravity of this problem is being realized and steps are being initiated to translate this realisation increasingly into practical measures.

8. The achievement in raw jute output during the year was somewhat tempered by the fact that it was a result almost entirely of diversion of land from paddy to jute, for the yields per acre increased only slightly. This focusses attention on another problem of agricultural development, namely, that efforts to increase output in one direction sometimes undermine progress in another. It also emphasises the crucial role of price policy in this matter. In previous years there was some evidence that land was being diverted from raw jute to paddy because of the relative profitability of the latter. Such diversion combined with crop failures led to a phenomenal rise in raw jute prices in 1960-61 and a re-diversion of land to raw jute in 1961-62. In sugar too, the Plan target for output has been fulfilled but at the cost mainly of diversion of land through higher prices for sugarcane. In other crops such as cotton and groundnuts too, such diversion in response to price disparities introduces an element of instability which is often aggravated by adverse climatic conditions and in the result generally the agriculturist comes off second best. Moreover, in the case of a commodity like raw jute sharp fluctuations in jute textile prices have in the past caused permanent damage to India's foreign markets for jute manufactures in competition with paper and cloth substitutes. This stresses the need on the one hand, for vigorous measures to increase crop yields and, on the other, to moderate the annual fluctuations, possibly through a combination of crop planning, support prices and buffer stocks. The guaranteed minimum prices fixed for sugarcane helped, as mentioned earlier, to push up output, but at the cost of quality. The sugarcane pricing policy has, therefore, recently been modified to link the price with sucrose content. This emphasis on quality would contribute materially to raising the efficiency in agriculture in due course. Similarly, the setting up of the Jute Buffer Stock Agency, in the first instance for maintaining raw jute prices above a certain minimum is a step in the right direction. A more vigorous execution of a country-wide warehousing programme is also essential for successful operation of a price policy for principal agricultural products.

9. —and in Industry.—The influence of raw material shortages in impeding industrial output in 1961-62 has been mentioned earlier. Industrial production increased during the first nine months of the accounting year 1961-62 by only 4.3 per cent as against 10.5 per cent in the corresponding period of the previous year. The shortage of raw jute both in 1959-60 and 1960-61 led to a progressive seining of looms, and high prices for jute manufacturers. In 1961-62 with a bumper raw jute crop, there was a substantial expansion in output from November, 1961, and although the shortage of the earlier months had affected output, the performance for the year as a whole was satisfactory. The volume of exports of jute manufactures improved considerably between 1960-61 and 1961-62. Owing to shortage of raw cotton and coal, the output of cotton cloth (mill-made) declined in the latter part of the year, and for the year as a whole, the output recorded a small decline as compared to the previous year. There was, however, an encouraging advance in the output of pig-iron and ferro-alloys and steel, reflecting the maturing of investment in the old steel plants and the getting into stride of the new ones. Cement output also went up but not adequately to meet the demand for it.

10. In some industries, there was a shortage of imported raw materials such as dyes and chemicals owing to a curtailment of import licences. Since shortage of foreign exchange relative to needs is likely to continue for some time, determined efforts to develop raw materials and intermediate products internally are clearly required. An accent on research and inventiveness cannot but provide lasting benefits to the balance of payments in particular and developmental planning in general.

11. The bottlenecks in power and transport which were in evidence in the previous year had an even greater adverse effect during 1961-62. Some attempts have undoubtedly been made to resolve the transport bottlenecks in railways but it would be some time before they are considerably eased. Coal is an instance where during 1961-62 transport affected output owing to inadequate clearance of pit-head stocks, and this in turn affected industrial output generally. The shortage of power too is being increasingly felt and in the eastern region power cuts involving even a fall in exports have been threatened. The seriousness of the power and transport problems, which the year 1961-62 has specially brought to the fore, cannot be exaggerated, since both bottlenecks relate to the infra-structure of planned development and affect the advance of the entire economy.

12. Another factor, which accounts both for high cost and low output, is under-utilisation of capacity in several industries. Shortages of raw materials, coal and power would have accentuated this problem. Steps are, indeed, being taken to curtail licensing for investment purposes where there is already excess capacity, but the situation requires that steps be taken to improve the supply position of raw materials, spares, components and parts. To the extent this requires increased imports, exports have to be stepped up, since there is now no cushion in the form of accumulated foreign assets and foreign assistance is being increasingly projected. More and more, industries should, so to speak, earn their maintenance imports through exports, and export-orientation of industry over an increasing range is thus no longer merely a desirable development but has become a necessary condition of continued rapid industrial advance. Further, to ensure orderly industrial development, the expansion of new industrial capacity must be planned to reduce such imports, so as to make effective employment of existing capacity possible without too much dependence on the fluctuating balance of payments.

13. The foregoing problems and difficulties concerning industrial growth should not obscure the fact that over the past decade a welcome diversification of industry has taken place, particularly in the chemical and engineering industries, and engineering goods in particular seem to hold good promise for a substantial stepping up of exports. But there is a tendency, where there is a large and growing internal market, to overlook industrial efficiency and costs. The need to step up exports in the present balance of payments position has indeed induced a 'cost consciousness' on the part of producers but this does not yet appear to have made itself felt in practical and sustain efforts to promote all-round efficiency and reduce production costs. Constant attention to these aspects would be necessary if high cost of development is not to act as a drag on the economy for years to come.

14. The overall industrial picture for the year, hence, throws up in bold relief the necessity for securing maximum development at the lowest cost with a minimum of resources remaining unutilised or under-utilised.

**15. Aggregate Supply and Demand—Less Imbalance.**—While the rate of increase of output for 1961-62, both agricultural and industrial, fell far short of the average rate of advance assumed in the targets for the Third Plan, the volume of output was larger than in the previous year. Imports indeed declined but this was almost wholly due to a reduction of P. L. 480 imports of foodgrains and cotton. Exports went up but only moderately. The output of new industries, which does not figure in the index of production, also improved as compared to the previous year. As regards stocks of commodities, there were substantial increases in those where output had gone up e.g. raw jute, but some diminution in others, particularly stocks of foodgrains with the Central and State Governments. By and large, aggregate supply was better during the year 1961-62 than in the previous year, the estimated rate of increase of national income of about 3 per cent being a broad measure of the order of improvement.

16. Data regarding aggregate demand are scanty but available indicators seem to point to an increase in the pressure of aggregate demand during the year. Both on investment and on consumption, Government outlays (financial year data) were considerably larger than in the previous year. Final outlays on consumption and capital formation, which represent the Centre's direct demand for goods and services, increased during the year by 15.1 per cent and 25.4 per cent, respectively. Financial investments and loans to the rest of the economy (including State Governments), which had declined in 1960-61, recorded an increase, while transfer payments to the rest of the economy were also higher than in the previous year. The total income generated through the Centre's budgetary operations was 11.5 per cent higher than in 1960-61. A measure of the expansionary impact of Governmental operations would be the income deficit of the public

sector. Figures in this respect are available only for the Central Government and these show that the income deficit increased from Rs. 143 crores in 1960-61 (accounts) to Rs. 204 crores in 1961-62 (revised).

17. Private investment in organised industry, which had declined in 1957 and 1958, showed an appreciable rise in 1959 and 1960 and, according to available indices, would have shown a further rise in 1961. Imports of capital goods on private account as well as domestic output of machinery and intermediate products were higher in 1961 than in 1960, while offtake of investment goods like steel and cement also recorded increases. Further, fresh capital raised by non-Government companies through shares and debentures was substantially higher than in the previous year. Data regarding applications for consents to new capital issues, which broadly indicate investment intentions of the private sector, also showed the same trend. Consumption outlays of the private sector would have risen as a result of the unavoidable increase in consumption consequent on the growth in population. However, the shortages of raw materials, coal, transport and power by lowering the rate of growth of output would have led to a smaller increase in demand. Again, the direct demand for food of the agricultural sector would have increased somewhat; though in 1961-62 there was a good foodgrains harvest for the second year in succession, this would have barely sufficed to absorb the pressure of demand from the normal population increase. Aggregate demand increased, but probably only at a slightly higher rate than aggregate supply. This would seem to be indicated by the course of prices during the year.

18. **Pressure on Prices.**—The index of whole sale prices for the accounting year 1961-62 showed a rise of 1 per cent as compared to the Second Five Year Plan period when prices rose on an average by about 6 per cent per year. The annual average of weekly indices for the accounting year 1961-62 shows a marginal decline of 0.5 per cent, the fall in prices in the first half of the year thus being almost completely offset by the rise, slow at first, in the latter part of the year.

19. The relative stability of wholesale prices over the year thus indicated, however, obscures significant variations during the year. The price level moved to a peak by the end of July 1961, then declined by about 5 per cent in the following five months. This was followed by a brief period of narrow fluctuations and during the last quarter the uptrend was resumed. In the result, the year-end level as compared to the year before showed little change. The relief indicated by the average price level for the year was, therefore, essentially temporary. With the still uncertain outlook of the monsoon in several parts of the country, the current trend of prices is upward.

20. A glance at the components of the price index would show further that the improvement was brought about almost entirely by the behaviour of two commodities, raw jute and groundnuts. The prices of raw jute fell sharply to roughly half the high level touched in the previous year. Associated with this fall in raw jute prices was the marking down of jute manufactures by nearly 6 per cent. Similarly the prices of groundnuts declined by 13.5 per cent and those of edible oils by 6.8 per cent.

21. As far as 'food articles' were concerned, there was in fact a rise of 4.0 per cent over the year as compared to only 0.2 per cent in the previous year. Foodgrains prices also went up (4.6 per cent) more than in 1960-61. This occurred since foodgrains output showed no material change over that of the previous year. The overall supply of foodgrains during the year was on the whole not quite as satisfactory as a year ago owing to diminished P. L. 480 imports. Part of the rise under 'food articles', it may be noted, is attributable to non-foodgrains, especially milk and ghee (11.5 per cent), gur (18.4 per cent) and sugar (2.2 per cent). For most other commodities too there was a slight rise in prices. The cost of living index, which had been going up un-interruptedly from year to year for some years past, rose further during the year by about 4 per cent; most of the increase occurred during the first and last month of the year.

22. **Mobilisation of Resources in the Public Sector.**—With the substantial stepping up of the growth in its total outlays, the problem of resource mobilisation in the public sector in 1961-62 became even more difficult. This is evident from the fact that there was a wide swing from an overall surplus of Rs. 32 crores for 1960-61 in the Central and State budgets to a deficit of Rs. 87 crores for 1961-62, in spite of the fact that during the year taxation estimated to bring in Rs. 450 crores over the Third Plan quinquennium was imposed by the Centre and taxation estimated to bring in Rs. 80-85 crores over the same period was imposed by the States.

23. The performance of the Centre as regards taxation has been fully in keeping with the targets laid down in the Plan. The yield to the Centre from additional taxation in 1961-62 was Rs 85 crores. Further taxation imposed in 1962-63 is estimated to yield Rs. 68 crores during the year. These measures of additional taxation in two consecutive years, together with the raising of the railway fares and freights this year, are estimated to bring in Rs. 850 crores over the Plan period or a little over three-fourths of the target of additional taxation at the Centre of Rs. 1100 crores for the Third Plan. The main reliance in both years has been on indirect taxation, in particular excise and customs duties covering a wide range of new items, though some increase in direct taxation was also provided for in 1962-63. The emphasis on indirect taxation, which principally impinged on luxury and semi-luxury items and intermediate goods, was directed towards relieving the pressure of domestic consumption and promoting exports; it was also an attempt to call for some measure of sacrifice from all classes of people, since the bulk of the people do not come within the pale of direct taxation.

24. In comparison with the Centre's performance, the tax effort of the State Governments in 1961-62 was very modest, the additional taxation levied during the year being Rs. 14 crores. In 1962-63, the tax effort has been stepped up considerably, the yield from additional taxation for the year being expected to be around Rs. 47 crores during the year and Rs 71 crores in a full year on the basis of proposals made in budgets or contemplated. If all proposals go through, the States, in the first two years of the Third Plan, will have covered about three-fifths of the Plan target of additional taxation of Rs. 610 crores. A feature of the new tax proposals by the States for 1962-63 is the proposed increase in assessments on land in a few States for the first time in several years.

25. Central and State tax revenues as a proportion of national income rose from about 9.5 per cent at the end of the Second Plan to around 10 per cent in 1961-62; the proportion was around 8 per cent at the end of the First Plan. As measured by the ratio of tax revenues to national income, taxation as an instrument for mobilising resources appears to show a slow response, though in view of the increase in national income during the period the absolute amounts raised through taxation are considerably large. The proposed increase in assessments on land in a few States would break new ground in the attempt to mobilise tax resources for the Plan. This is a sector of the tax field the obvious potentialities of which deserve to be more fully exploited in the interest of adequate fulfilment of State programmes of development.

26. Another principal source for mobilising funds is borrowing on the domestic capital market. Net market borrowings by the Centre and the States amounted in 1961-62 to Rs. 137 crores, which was more or less the same as in 1960-61, the last year of the Second Plan (Rs. 134 crores). With a target of Rs. 800 crores fixed for the Third Plan, market borrowings were made more attractive during the year. There was a stepping up of the redemption yields on the new loans from 3.55-4.01 per cent to 3.71-4.11 per cent for Central loans and from 4-4.07 per cent to 4.25-4.31 per cent for State loans. In adjustment to the higher yields, the gilt-edged market eased somewhat during the year, the price index of Government and semi-Government securities moving down slightly over the year from 101.0 to 100.7. The redemption yields on the new loans floated by the Centre on July 12, 1962 were increased further to 3.90-4.50 per cent or roughly by 0.2-0.4 of 1 per cent, for a somewhat longer range of maturity. The total subscriptions to the three cash-cum-conversion loans for an aggregate amount of Rs. 250 crores (viz., a further tranche each of the 3½ per cent National Plan Bonds 1968 and the 4 per cent Loan 1972 at Rs. 99.20, and the 4½ per cent Loan 1985 at Rs. 100) amounted to Rs. 256.9 crores, of which Rs. 103.2 crores were net of conversion. The response was measurably better than for the Centre's borrowings for several years past. As regards borrowings by States, fourteen State Governments announced on August 7 the floatation of 12-year loans for an aggregate amount of Rs. 93.5 crores, with redemption yield ranging from 4.50 per cent to 4.55 per cent or one-fourth of 1 per cent higher than those in respect of the 11-year loans issued last year. The loans will open for subscriptions on August 27.

27. The performance of small savings was disappointingly below expectations during the year. Total net receipts from small savings during 1961-62 (April-March) amounted to Rs. 90 crores as compared to Rs. 106 crores in 1960-61. The deterioration occurred mainly under post office savings bank deposits, net receipts under this item amounting to Rs. 38 crores as compared to Rs. 45 crores in 1960-61. The slower growth during 1961-62 partly reflected the reversal during the year of last year's trend of diversion of deposits from commercial banks to post office savings banks, following the revival of confidence in the banking

system. The raising of the maximum savings deposit rate by commercial banks from 2½ per cent to 3 per cent, effective April 1, 1961, also led to a much larger relative flow of deposits to the banking system and gave an impetus to reduction in the net collections of small savings. To stem the deterioration and secure a share of the expanding savings deposits, the Government of India have recently raised the rate of interest on post office savings bank accounts by ½ per cent, effective August 1, 1962. As in the preceding years, further measures, mainly of an administrative character, to improve the facilities for investment in small savings were adopted during the year. On June 1, 1962, a 15-year Cumulative Time Deposit account was introduced to supplement the existing 5-year and 10-year accounts and a rebate of income-tax in respect of contributions to the 10 and 15-year accounts, which can be taken advantage of by self-employed and uninsurable persons and others, was granted. The Central Government discontinued the sale of the existing series of Prize Bonds from July 1, 1962 with a view to replacing it by another series.

28. Another source for mobilising savings is surpluses from public enterprises, which in a mixed economy have an important role to play in promoting development. Such surpluses have, however, been rather small taking into account the investment outlays involved, though in the case of some of the established public enterprises the return should be regarded as very satisfactory. Making allowance for the comparatively long initial period of several projects, there is need for paying constant attention to the organisational and operational efficiency of the public sector plants as well as to appropriate pricing policies which would enable them to generate savings for their own further expansion and development as well as for other development in the public sector. Self-financing has made an important contribution to industrial development in most countries and there is thus every reason to adopt this principle for public sector enterprises, when mobilisation of all possible savings is required to attain the maximum tempo of development without excessive inflationary stresses.

29. External assistance in the form of loans and grants at Rs. 415 crores was Rs. 118 crores higher than in 1960-61, but budgetary receipts on account of P.L. 480 counterpart funds mainly because of the diminution of food and raw cotton imports, dropped from 240 crores to Rs. 54 crores. In the aggregate, net foreign assistance was Rs. 68 crores less in 1961-62 than in the previous year.

30. The inadequacy of resources for total outlays in 1961-62 arising from shortfalls both on the domestic and external side, was made good in 1961-62 by deficit-financing. Recourse to this expedient in the first year of the Third Plan was reminiscent of the early years of the Second Plan. The explanation is, in part, similar. But the scope for credit creation in public sector financing is much more circumscribed now, in the exiguous state of the foreign exchange reserves. It was a major factor which influenced the monetary and credit policy during the year. For 1962-63 the combined overall budget deficit of the Centre and the States would be Rs. 121 crores. There is clearly need for caution in resorting to deficit-financing during the remaining years of the Third Plan.

31. —and in the Private Sector.—Since both the public and the private sectors ultimately draw on the common pool of national savings, mobilisation of domestic resources in the public sector cannot be considered in isolation from that in the private sector. In the private sector, although precise and up-to-date data are not available, mobilisation of resources for financing the needs of industry appeared to have proceeded well during 1961-62. The new issue market continued to be strong. According to preliminary data, the total capital raised by non-Government companies through shares (other than bonus) and debentures is expected to be in the neighbourhood of Rs. 100 crores in 1961 as compared to Rs. 88 crores in 1960. Total consents granted by the Controller of Capital Issues to the private sector for raising capital through shares (other than bonus) and debentures—which indicate the level of investment intentions—touched a new peak of Rs. 133 crores, which was higher by Rs. 19 crores than the 1960 level. Private foreign participation in industry is also likely to record a further increase in 1961. The number of foreign collaboration agreements including financial participation sanctioned by the Government of India increased from 388 in 1960 to 402 in 1961, and the amount of foreign participation in capital issues (other than loans from the World Bank) approved by the Controller of Capital Issues rose from Rs. 19 crores in 1960 to Rs. 34 crores. Investors appeared to be more selective than in the previous year in subscribing to new floatations. Nonetheless, the public response continued to be generally encourag-

ing, and a number of new issues with growth potential, especially those with foreign collaboration, attracted sizeable over-subscriptions and commanded substantial premia even before allotment.

32. Mobilisation of resources during 1961-62 was facilitated by the continued buoyancy of share markets though they were less ebullient than in 1960-61. The index of Variable Dividend Industrial Securities recorded a net rise over the year of 2.8 per cent as compared to 4.8 per cent during the previous year. In the wake of favourable company news and prospects for further industrial growth in the Third Plan, the primary trend in the stock markets continued to be, on the whole, bullish during the greater part of the year under review. Sentiment was, however, considerably restrained by the operation of certain bearish factors such as the Chinese incursions into Indian territories, the slowing down in the rate of growth of industrial output, the worsening of the foreign exchange reserves position and the postponement of the Aid-India Consortium meeting for the second time from May to July. The introduction in December 1961 of a uniform automatic margin system on the stock exchanges to curb excessive speculative activity also acted as a brake. The market's reaction to the Union Government's final budget for 1962-63 containing tax proposals to bring in an additional revenue of Rs 71 crores in a full year, seemed to be, on the whole, favourable. A distinctly reactionary tendency, however, developed towards the close of the year, in which the recent landslide on the world's stock markets led by Wall Street played a part.

33. During the year, Government clarified its main policy objectives concerning stock market regulation by declaring that it would avoid direct interference to the maximum possible extent and encourage a spirit of self-discipline among members of the stock exchange as well as create an effective autonomous administrative machinery. A Standing Committee of the presidents of all stock exchanges was formed in September 1961. The margin system mentioned above was the outcome of the recommendation of this Committee.

34. The resources raised from new issues were augmented by financial assistance from various special corporations and other institutions purveying medium and long-term credit to the private sector of industry. The Industrial Finance Corporation of India sanctioned loans for an aggregate amount of Rs. 24.4 crores during the accounting year 1961-62; the amount disbursed was Rs. 10.8 crores. Outstanding loans and advances of the fifteen State Financial Corporations rose by Rs. 6.1 crores over the year. The Industrial Credit and Investment Corporation of India sanctioned total (gross) assistance of Rs. 13.8 crores during 1961 in the form of loans and guarantees, underwriting of ordinary and preference shares and direct subscription to ordinary and preference shares. The Refinance Corporation too sanctioned applications for Rs. 9.3 crores during 1961-62, the total amount disbursed being Rs. 6.5 crores. As regards the Life Insurance Corporation, figures for 1961 are not available. In 1960, the increase in the life fund (unadjusted) amounted to Rs. 65.1 crores. Apart from investments in Government and quasi-Government securities (Rs. 48.5 crores), the Corporation invested Rs. 10.7 crores in securities in the private sector, comprising mainly shares and debentures of joint-stock companies, and also advanced loans for Rs. 8.5 crores to State Governments and co-operative institutions for financing housing schemes. The amount of shares and debentures underwritten by the Corporation during the year was Rs. 2.3 crores.

35. Besides, finance was made available to small-scale industries under various schemes in operation. The Central Government provided during the year April 1961 to March 1962 financial assistance to State Governments for Rs. 5.6 crores in the form of loans and grants for purposes of making loans to small-scale industries. Under the Government of India's scheme for the guarantee of advances granted by specified banks and other financial institutions to small-scale industries, guarantees for an aggregate amount of Rs. 6.3 crores were issued during the year ended June 1962. In terms of its scheme for the co-ordinated provision of credit to small-scale industries, the State Bank of India sanctioned credit limits for Rs. 1.5 crores to 274 units during the year ended June 1962, and its eight subsidiaries for Rs. 55 lakhs to 55 units; the Bank also sanctioned during the year credit limits for Rs. 2.3 lakhs to 4 industrial co-operatives. The assistance rendered by the financial corporations and other institutions to industry, together with the operational changes made during the year, has been referred to in some detail in Section III on Developments in Industrial Finance.

36. As regards the co-operative sector, the Reserve Bank continued to make loans to State Governments, from the National Agricultural Credit (Long-term Operations) Fund instituted in 1956, for subscribing to the share capital of co-operative credit institutions; loans amounting to Rs. 4.9 crores were sanctioned

during the year to twelve State Governments, of which Rs. 79 lakhs were sanctioned to ten State Governments for contributing to the share capital of 2,495 primary agricultural credit societies in accordance with one of the recommendations of the Committee on Co-operative Credit (referred to in last year's Report). The Bank also sanctioned a medium-term loan to one State co-operative bank for Rs. 25 lakhs for financing cultivators for the purchase of shares in co-operative sugar factories.

37. The Bank continued to subscribe to the debentures floated by central land mortgage banks. During the year, ten central land mortgage banks floated ordinary debentures for a total amount of Rs. 10.5 crores, of which the Reserve Bank took up Rs. 72.1 lakhs representing shortfalls in subscriptions from the public. The central land mortgage banks of Andhra, Maharashtra, Gujarat, Madras, Orissa, Punjab and Kerala issued rural debentures for Rs. 2.2 crores; the Bank's contribution to these debentures, as in the previous years, was slightly more than the subscriptions received from the public, except in the case of the Punjab where it was equal to the amount subscribed by the public. The actual contribution made by the Bank during the year amounted to Rs. 52.1 lakhs, which included a sum of Rs. 48.8 lakhs contributed in respect of rural debentures floated in the previous year. The debentures taken up by the Bank carried interest at 4 per cent per annum, while the rate offered to the public was higher, varying from 4½ to 5 per cent. The Andhra Pradesh Co-operative Central Land Mortgage Bank also floated, for the first time, special development debentures of eight and fifteen years' maturity for a total of Rs. 18 lakhs for financing cultivators in the Musi Project area. As an experimental measure, the Reserve Bank had agreed to take up the entire issue of the 15-year debentures and 50 per cent of the 8-year debentures. In actual practice, the public subscriptions to the 15-year debentures exceeded those for the 8-year issue. At the request of that bank, therefore, the Reserve Bank agreed to vary the composition of its contributions and contributed Rs. 4.8 lakhs and Rs. 3.7 lakhs towards the fifteen and eight year debentures, respectively, forming 75 per cent of the total issue. The contribution was made out of the National Agricultural Credit (Long-term Operations) Fund.

38. **Monetary and Credit Trends.**—Reflecting the increase in deficit financing, the pace of monetary expansion was slightly larger than last year, although scheduled bank credit recorded a much smaller expansion than in 1960-61. Money supply (currency and demand deposits of banks) which had risen by Rs. 204 crores\* (7.3 per cent) in 1960-61 went up by Rs. 214 crores (7.9 per cent) in 1961-62. Nearly three-fourths of the increase in money supply during the year was accounted for by the rise in currency with the public. The expansionary effect of bank credit\*\* to the private sector was less marked than in the previous year, for it rose by Rs. 151 crores as compared to Rs. 196 crores. Not only this, the increase in bank credit was more than counteracted by a sharp rise of Rs. 195 crores in time deposits of banks, as compared to a rise of only Rs. 71 crores in 1960-61. The result was a sizeable decline in the net indebtedness of the public to the banking system of Rs. 43 crores as against a rise of Rs. 125 crores last year. However, bank credit to Government (comprising mainly the increase in the Government securities portfolio of the Reserve Bank and banks and the change in the cash balances of Government adjusted for P.L. 480 and 665 deposits with banks), which had recorded an increase of Rs. 95 crores in 1960-61, expanded by as much as Rs. 331 crores. Thus the roles played by bank credit to Government and that to the private sector in expanding money supply were sharply reversed in 1961-62. A partial offset to the expansion of the money supply was the deficit in the balance of payments as reflected in the movement of the foreign assets of the Bank, which declined by nearly twice as much as in 1960-61 (Rs. 75 crores† as against Rs. 43 crores).

39. The pressure on bank credit to the private sector was noticeably less than in the previous year owing to the rapid growth of deposits which was the most striking feature of banking trends during 1961-62. Aggregate deposit liabilities of scheduled banks rose over the year by Rs. 235 crores; in the preceding year they had declined by Rs. 35 crores. Excluding P.L. 480 and 665 funds, aggregate deposit liabilities showed a rise of Rs. 253 crores as compared to Rs. 128 crores in 1960-61 and Rs. 189 crores in 1959-60. The setback to the long-term rise in the rate of deposit growth, noticed in the previous year, thus proved to be temporary. There were several reasons for this. In the first place, there

\* Adjusted for withdrawals of special currency from Kuwait.

\*\* Covering scheduled, non-scheduled and State co-operative banks.

† Ignoring the net receipt of Rs. 58.3 crores from the I.M.F.

was a revival in the confidence of depositors in the banking system which had been to some extent impaired in the first half of 1960-61; and official measures to strengthen the banking structure by the compulsory merger of sub-standard units with sound banks and the setting up of the Deposit Insurance Corporation in January 1962 added momentum to this revival. Secondly, there was the wide swing from a budget surplus in 1960-61 to a deficit in 1961-62 which accelerated the pace of deposit growth. Thirdly, banks themselves offered higher deposit rates under the revised Inter-Bank Agreement in March 1961 and hastened the process of attracting funds to their deposits, specially savings deposits. The impact of this was evident in the sharper rise (Rs. 175 crores) in time deposits than in demand deposits (Rs. 60 crores) in 1961-62. Time and demand deposits together expanded considerably more than currency, and the process of a steady change in the share of banks in total monetary resources through a growth of the banking habit continued during the year. This ratio (of bank deposits to currency) has altered during the last eight accounting years of the Bank from 72 per cent in 1953-54 to 94 per cent in 1961-62.

40. In comparison with the rapid pace of deposit growth, the expansion in bank credit was modest. The result was that banks maintained a high degree of liquidity during the year, in contrast to the strain experienced last year. The rise in *scheduled* bank credit during 1961-62 (Rs. 135 crores) was about 17 per cent smaller than in 1960-61 (Rs. 163 crores) and was attributable to the slower growth of industrial output, lower imports and the decline in prices for a part of the year. A comparatively larger slack season contraction was the major factor contributing to the smaller credit expansion in 1961-62, the expansion in the 1961-62 busy season being more or less equal to that in the 1960-61 busy season. In the current 1962 slack season, however credit contraction has been proceeding at a much smaller pace, there being a net reduction of only Rs. 11 crores upto the end of June 1962 as compared to Rs. 21 crores in the corresponding period of 1961. Excluding P.L. 480 and 665 funds, the credit-deposit ratio worked out slightly lower at 70 per cent at the end of June 1962 as compared to 72 per cent a year earlier.

41. As a consequence of the larger deposit growth and the smaller expansion in credit, banks were able to build up their investment portfolio and to reduce their indebtedness to the Reserve Bank. Investments of scheduled banks in Government securities rose by Rs. 59 crores during the year as against a decline of Rs. 191 crores (Rs. 47 crores, if adjusted for the transfer of P.L. 480 and 665 funds from the State Bank to the Reserve Bank) in 1960-61. In view of the sharp rise in deposits, however, the investment-deposit ratio remained steady over the year at 28 per cent. For the same reason, although cash reserves increased by Rs. 6 crores as against a decline of Rs. 11 crores in the preceding year, the cash ratio declined from 7.5 per cent to 7.0 per cent. With the quota system and slab rates for borrowings from the Reserve Bank under the three-tier system in force, banks were generally reluctant to borrow from or to remain indebted to the Reserve Bank for long. Borrowing from the Reserve Bank touched a much smaller peak (Rs. 66.4 crores) in the 1961-62 busy season than in the previous busy season (Rs. 94.5 crores), while the net expansion in borrowings in the 1961-62 busy season (Rs. 6.2 crores) was also much smaller than in the 1960-61 busy season (Rs. 21.5 crores).

42. The short-term money market was characterised by the prevalence of relatively comfortable conditions, reflecting the state of ample liquidity of banks. Money rates consequently tended to be lower than in the preceding year. The inter-bank call money rate in Bombay, which had stood at 4.46 per cent in June 1961, receded to a seasonal low of 2.24 per cent in August. Thereafter, it rose to the busy season peak of 5.05 per cent in March 1962 but with the onset of the 1962 slack season, it again retreated to reach a low of 2.88 per cent in June 1962—a level which was about 2 per cent below that a year earlier. Term deposit rates of larger banks continued to be quoted at the ceilings fixed under the All-India Inter-Bank Agreement on Maximum Deposit Rates. While the standard rates fixed under this Agreement in March 1961 continued unchanged throughout the year, the latest revision of the Agreement which became effective from June 1, 1962 classified the 38 signatory banks into four categories and placed the medium banks (i.e. those with deposits between Rs. 25 crores and Rs. 50 crores) in a relatively more advantageous position *vis-a-vis* both big as well as small banks.

43. —and Policy.—No major shift in credit policy occurred during the year under review. The major role played by deficit-financing in the growth in money supply as well as worsening of the balance of payments situation pointed to the need for continued caution and restraint. The slackening in the rate of



growth in industrial production which stemmed from physical shortages and bottlenecks and the slow-down of the rate of growth of the economy as a whole, far from calling for any relaxation, made the need for restraint on monetary demand all the greater. In consequence, the Reserve Bank's monetary and credit policy continued to be one of general restraint, with due regard to the needs of the developing economy and the changing situation in regard to particular commodities. The three-tier system of slab rates, which was brought into force on October 1, 1960, was the chief instrument of credit control employed by the Bank during the year. Selective credit controls, however, were liberalised in keeping with the improvement in the supply and prices of the commodities subject to control, some of the controls being relaxed and some withdrawn.

44. Apart from the basic factors responsible for smaller credit expansion this year and the relatively comfortable liquidity position of banks, the operation of the three-tier system of lending rates together with the Reserve Bank's directive to banks to raise their lending rates appears to have exercised some restraining influence on the bank's borrowings from the Reserve Bank as well as on the public's borrowings from banks. As regards borrowing rates, the position as on March 16, 1962 (when borrowings touched the peak of the busy season) was that 42 banks had borrowed from the Reserve Bank, of which 20 banks had borrowed at the maximum rate of 6 per cent, 15 banks at 5 per cent and 7 banks at 4 per cent. The average rate on borrowings as on that date was 5.09 per cent as compared to 5.46 per cent on March 31, 1961 (the peak of the previous busy season). The effective cost of credit to the banks would be somewhat higher, as on that part of their borrowing against usance bills (nearly three-fourths of total borrowings as on March 16, 1962) a stamp duty of 0.20 per cent, the incidence of which on actual borrowing would be somewhat higher still, was chargeable.

45. During the past one year or so, banks have progressively raised their lending rates, with the result that at the end of December 1961 nearly 50 per cent of the advances were at rates higher than 6 per cent against 40 per cent at the end of 1960. The average rate on advances has risen from 5.8 per cent in the first half of 1960 to 6 per cent in the second half of that year, to 6.2 per cent in the first half of 1961 and to 6.5 per cent in the second half. Apart from its effect on the cost and availability of credit from banks, the higher cost of borrowing from the Reserve Bank appears to have set in motion an intensified drive for deposit mobilisation by banks through offer of higher interest rates and through a competitive bid towards extending better services to customers and more intensive publicity campaigns. Altogether, a measure of all-round financial discipline seems to have been brought about by the increased cost of Reserve Bank credit.

46. As the slack season of 1962 progressed, it became evident that the rapid rate of deposit growth would continue and would enable banks to maintain a high level of credit without large recourse to the Reserve Bank. The pace of credit contraction was at the same time tardy. In view of the pressures on the price level which were then in evidence and the need to maintain the price line in the interest of exports it was necessary to secure a normal seasonal return of funds. Therefore, as an inducement to banks to achieve such contraction in credit in the slack season and to enable them to meet the requirements of the next busy season substantially from their own resources, the Bank further tightened access to its accommodation. Effective July 2, 1962, the basic quota for borrowing at the Bank rate was reduced by one half to 25 per cent of the average statutory reserves of each scheduled bank for the preceding quarter. Borrowings in excess of the quota upto 200 per cent would bear a rate of 1 per cent above Bank rate; those over 200 per cent and upto 400 per cent of the quota a rate 2 per cent above Bank rate; and those exceeding 400 per cent of the quota a rate 2.5 per cent above the Bank rate.

47. The new lending rate structure, in effect, meant a raising of the average lending rate of the Bank by about  $\frac{1}{2}$  per cent or more. The terms of the new Central Government loans announced on July 2, 1962 were also fixed so as to raise their yields perceptibly above the existing yields on securities of comparable maturity. These measures represent substantial steps towards adjusting the pattern of rates in the organised money and capital markets to levels commensurate with the basic scarcity of savings in the economy in relation to investment needs. The Bank has also been aware of the need to reduce, in the longer run, the gap between the interest rates in the organised and unorganised sectors, so as to induce a larger flow of funds into the organised sector, which is more amenable to control, and thereby facilitate the channelling of an increased proportion of the available financial resources towards essential uses. While the implementation of this objective has entailed a shift to higher interest rates in the

organised sector, the Bank has also been guided by the need to avoid any large disturbance in the capital market in the context of the substantial borrowing operations of the public and private sectors in the years to come.

48. Against the background of a dearer credit policy but taking into account the improvement in the supply and prices of different commodities, the Bank's policy in regard to selective credit controls was one of progressive relaxation and withdrawal. Already in June 1961, in view of the declining trend of jute goods prices, the Bank had withdrawn the margin requirement of 40 per cent in respect of advances against jute goods. Following the bumper jute crop in the 1961-62 season and the sharp decline in the prices of both raw jute and jute goods, the Bank withdrew on August 29, 1961 the remaining restrictions in respect of margin requirements on advances against raw jute and the ceiling limits on advances against jute goods. On October 23, 1961, the Bank removed the control on clean advances of banks, which had been imposed in March 1960 to prevent possible circumvention of selective controls through extension of clean loans; with the relaxation or removal of most of the selective credit control measures, the need for the continuance of the control on clean advances no longer existed. The minimum margin requirement for advances against *ordinary shares* of joint-stock companies was also reduced from 50 per cent to 40 per cent in January 1962, in the context of a fairly stable level of bank advances against shares and the adoption by the stock exchanges of a system of uniform and automatic margins in December 1961.

49. In view of the relative stability in the supply and price situation in respect of paddy and rice and the increased output of groundnut, the ceiling limits on advances against these commodities during March 1962—February 1963 were raised on February 28, 1962 to 105 per cent of the levels permitted to be maintained in the period March 1961—February 1962. Subsequently, on April 19, to enable integral oil expeller mills to purchase and store groundnut for extracting deoiled groundnut-cake for export, banks were also permitted to extend to such mills additional credit facilities in excess of the ceiling limits upto 25 per cent of the f.o.b value of their actual exports of groundnut-cake in the corresponding period of 1961-62 (March—February). By a directive issued on May 10, 1962, the permissible limits of advances by banks against paddy and rice in respect of the Orissa State for the period May 1962—February 1963 were also enhanced, in view of the expanding capacity of rice mills in Orissa in recent years and the consequent rise in the demand for bank credit against paddy and rice.

50. While the slab system of lending rates was intended to induce banks to be cautious in their loan policies, it was considered desirable to prevent its operation from having an adverse effect on the flow of institutional credit to specially reserving sectors, such as small-scale industries and co-operatives. With a view to providing an incentive to scheduled banks to increase their lendings to these sectors, the Bank by a circular issued on December 11, 1961 granted additional quotas to individual banks to enable them to borrow at the Bank rate amounts equivalent to the increase in their average lendings to small-scale industries and co-operative institutions in the first half of 1961 over the corresponding period of 1960; the aggregate *additional* limits thus sanctioned amounted to Rs. 9 crores for the first half of 1962.

51. The Reserve Bank continued to render an increasing measure of financial assistance to the co-operative sector at or below the Bank rate. During 1961-62, the volume of finance made available to State co-operative banks for financing seasonal agricultural operations and marketing of crops recorded a further increase. Credit limits aggregating Rs. 137.7 crores were sanctioned to 17 State co-operative banks at the concessional rate of 2 per cent below the Bank rate, as compared to Rs. 110.6 crores sanctioned to 18 State co-operative banks during the previous year. Total drawings against these limits amounted to Rs. 153.8 crores during the year. The Bank also extended to three State co-operative banks advances for Rs. 10.7 crores for their normal banking business at the Bank rate against the collateral of Government securities. In addition, one State co-operative bank was sanctioned a special short-term credit limit of Rs. 1.9 crores at the Bank rate for meeting the working capital requirements of five co-operative sugar factories. As regards medium-term loans, eleven State co-operative banks were sanctioned loans out of the National Agricultural Credit (Long-term Operations) Fund, for agricultural purposes, aggregating Rs. 9.6 crores during 1961-62 as against Rs. 4.7 crores sanctioned to eleven State co-operative banks during the previous year. Last year's Report made mention of the acceptance, by the Reserve Bank, in principle, of the recommendations of the Committee on Co-operative Credit, which submitted its Report to Government in May 1960, the main recommendations of the Committee included the promotion of 'viable' units of co-operative service and business, indirect State participation in the share capital of societies, revision of the standards

of credit limits at different levels and liberalisation of the existing standards adopted by the Reserve Bank for sanctioning short-term and medium-term credit limits to co-operative banks. Necessary action was taken by the Reserve Bank during the year to implement the recommendations of the Committee, and State co-operative banks were informed of the acceptance by the Bank of the liberalised standards recommended by the Committee for fixing short-term credit limits. Additional limits were also sanctioned during the year on the basis of the liberalised standards to central banks in two States. Reference was also made in the last Report to the relaxation of the condition regarding mortgage security of land for the sanction of medium-term loans for agricultural purposes made out of medium-term loans sanctioned by the Reserve Bank, in the case of loans for amounts below Rs. 500. A further relaxation was made during the year in the case of loans ranging from Rs. 501 to Rs. 1000 in that the Bank has agreed to such loans being given on the borrower creating a statutory charge on his land in favour of the lending institution, if legal provisions for the purpose exist in the States concerned. The Bank has also given effect to a liberalised definition of "owned funds" which forms the basis for determining the normal and additional credit limits; owned funds now include, besides the paid-up share capital and statutory reserve fund, other reserves such as special bad debt reserve, agricultural credit stabilisation fund, dividend equalisation fund and under certain circumstances the building fund.

52. During the year, credit-limits aggregating Rs. 3.1 crores were sanctioned to 113 central co-operative banks in 12 States as against Rs. 2.7 crores sanctioned to 92 central co-operative banks in 10 States during 1960-61 under Section 17(2) (bb) or (4) (c) of the Reserve Bank of India Act at the concessional rate of  $1\frac{1}{2}$  per cent below the Bank rate for financing the production and marketing activities of weavers' co-operative societies. Further, credit limits aggregating Rs. 66.8 lakhs were sanctioned to three apex handloom weavers' co-operative societies in Madras, Andhra and Maharashtra under Section 17(2) (a) or (4) (c) of the Reserve Bank of India Act at the Bank rate for financing *bona fide* commercial or trade transactions.

53. **Balance of Payments.**—For several years now, under the impact of economic development, the external payments position has been under acute strain. During the year under review there was a net drawing from the International Monetary Fund amounting to Rs. 58 crores; in addition, foreign exchange reserves were drawn down by Rs. 41 crores. Thus the real draft on the reserves was Rs. 99 crores in contrast with one of Rs. 45 crores in the previous year. The worsening of the payments position took place particularly between April and June 1962, when the reserves fell by as much as Rs. 56 crores, partly on account of the seasonal decline in exports and partly due to some delay in receipts from reimbursements for imports under Aid projects.

54. The sharper fall in foreign exchange reserves in 1961-62 than in 1960-61 took place despite the improvement in the trading account. Exports are expected to have been somewhat larger than in the preceding year, while import payments on both private and Government accounts are likely to be smaller. During the year, for the first time, the traditional net receipts from invisibles other than official donations turned into net payments owing, on the one hand, to the growing burden of servicing of external debts and, on the other, to a decline in investment income receipts. Notwithstanding this, the net current account deficit is estimated to be narrower than last year. But the favourable turn here is likely to be offset by the net outgo on banking capital account, higher amortisation payments and a reduced inflow of capital on private account.

55. During the first three quarters of the Bank's accounting year for which payments data are available, the net current account position showed sizeable improvement; the deficit as compared to the corresponding period of the previous year narrowed by Rs. 91 crores to Rs. 200 crores. An encouraging feature of the balance of payments position was the not inconsiderable increase of Rs. 31 crores in export receipts. The fall in import payments amounted to Rs. 84 crores and was shared both by private (Rs. 19 crores) and Government (Rs. 65 crores) imports, the decline in the latter being mainly due to smaller P. L. 480 imports of food-grains. The improvement in the trade account was somewhat offset by the net payment of Rs. 11 crores on account of invisible excluding official donations. Region-wise, the substantial reduction in the current deficit was reflected in a much smaller deficit with the dollar area; in fact the payments position with all the remaining areas showed slight deterioration.

56. The most disturbing—though not unexpected—shift in balance of payments has been the deterioration in our net invisible account from a traditional surplus to a deficit. For the first time, there have been net payments on this account of Rs. 11 crores as compared to net receipts of Rs. 16 crores in the corresponding period last year. And the indications are that the position in this respect would worsen progressively in the coming years on account of increasing payments of interest and dividends on the growing volume of official foreign loans and foreign private investments. Though the main reason for the decline in invisibles was the fall on account of investment income receipts and an equally sharp rise in payments on account of servicing of foreign debt contracted in the last few years, there have also been some leakages particularly in respect of travel receipts and private donations resulting from unauthorised transactions.

57. With a view to plugging the leakage on account of foreign travel, certain measures were recently taken. Steamship/airline companies and travel agencies were directed not to book passages abroad for persons resident in India unless the traveller was granted exchange by the Bank or was specially granted permission to book his passage. The permission to proceed abroad without release of foreign exchange would ordinarily now be given only to those who have been invited by foreign Governments or non-commercial organisation of repute or very close relatives (parents, sons and daughters) so that no foreign travel abroad by Indian residents would be financed indirectly or directly out of funds that should rightly accrue to the Control in the authorised manner. Facilities available for private remittances and capital transfers have also been modified. Effective from August 1, 1962, authorised dealers will allow remittance for purposes such as, support of families, payments for insurance premia etc. only upto Rs. 1,500/- per month by each individual, provided they are satisfied that the amount does not exceed 50 per cent of the remitter's net income. Remittance on a higher scale would now require a prior specific approval of the Reserve bank, which would be granted on merits. The remittance facilities available to sterling area nationals temporarily resident in India have been amended so as to make them uniform with those available to non-sterling area nationals. These measures in conjunction with more vigorous administrative action to reduce smuggling would no doubt reduce the magnitude of leakages of foreign exchange. The Customs Bill 1962, introduced in the Lok Sabha on June 15, 1962, is intended to strengthen the Customs machinery in order to check smuggling. The Bill also seeks to reduce leakages of foreign exchange arising on account of under-invoicing and over-invoicing of goods by adopting a 'normal price' as the basis of valuation instead of the 'real value' as at present.

58. The increase in export earnings in the first nine months of 1961-62 as compared to the corresponding period of 1960-61 was principally due to sizeable rises recorded under metallic ores (Rs. 3 crores), sugar (Rs. 9 crores), cashew nuts (Rs. 4 crores), coffee (Rs. 3 crores), oil cakes (Rs. 4 crores) and raw cotton (Rs. 4 crores). Earnings from jute manufactures remained almost stationary at Rs. 104 crores while those from cotton textiles, vegetable oils and oilseeds showed a decline. The almost stationary level of jute export earnings was largely due to the sharp fall in the prices of jute manufactures from the exceptionally high level of the previous year. The main reason for the sharp rise in sugar exports was the fulfilment of the Agreement with the U.S.A. for the supply of 2.2 lakh tons of sugar.

59. The general picture regarding exports again emphasizes the fact that India continues to rely, as before, predominantly on her traditional lines of exports. The role played so far by the new commodities with prospects of growth, though an increasing one, is still not very significant. The world absorption of traditional commodities like jute goods and tea has not increased *pari passu* with the growth in world economic activity and international trade in these commodities has risen at even slower rates than the increase in world absorption. In cotton textiles, the world absorption has increased almost in step with world economic activity but international trade has shrunk since demand is being met more and more from locally produced supplies. India can, therefore, expect to step up her exports of the traditional commodities with the best of effort only to a moderate extent. However, there must be a striving after a steady improvement in these lines as a small relative gain can be large in absolute terms. Since the cost structure in industries is constantly under upward pressure, the urgency to take measures to reduce costs in export industries is obvious if India is, at least, to hold on to her existing share of the world exports of these commodities. The maintenance of a viable cost structure is equally urgent in the case of newer industries which are growing up in a large and heavily protected home market and which have entered or are entering the world market in the

face of keen competition both from industrialised and developing countries. It is with the formal acceptance of exports as a first priority that a full-fledged Department of International Trade has now been set up by the Government.

60. The decision of the U.K. to seek admission as a member in the European Common Market has cast a shadow over India's export prospects, since its entry is likely to create a new set of preferences against Indian goods and to remove the existing preferences which India has enjoyed in the U.K. market. While the main responsibility is obviously India's to promote exports at a rising rate to finance her development, through appropriate adjustments in her domestic and international economic policies, the industrialised countries have the obligation, as members of an international community seeking genuine international co-operation, to allow exports from developing countries of the Commonwealth access to their markets which initially is at least as free as before, and in due course becomes progressively more liberal. The most important market for Indian exports today is the United Kingdom. It is, therefore, to be hoped that the U.K.'s entry into the European Common Market will not result in inflicting any damage on India's export position and might possibly open up prospects of an enlarged export flow to a vast area of rapidly widening prosperity. It is no less to be hoped that the U.K.'s entry will promote, rather than impede, attainment of the wider goal of international economic co-operation; with this constant and overriding objective, efforts at regional economic co-operation must remain consistent.

61. While the promotion of exports remains the long-term and near-term necessity, the gap in payments can be filled immediately only through adequate foreign assistance. India has been fortunate in securing the assistance of many friendly countries to a substantial degree. The Aid-India Consortium, sponsored by the World Bank, has till the end of July 1962 committed aid to the extent of Rs. 1126 crores for the first two years of the Third Plan, of which Rs. 654 crores have been authorised (up to the end of June 1962). Besides, assistance of about Rs. 1284 crores, including the P. L. 480 aid, is available for utilisation. The present foreign exchange difficulties appear to have arisen in some measure from procedural delays involved in the utilisation of external assistance as also in obtaining reimbursements for the payments made for imports against foreign aid. Efforts, therefore, need to be directed towards removing the bottlenecks, administrative and others, which make for slower utilisation.

62. The question of foreign aid also raises the consideration of the nature of foreign aid. Most of the foreign aid so far received or promised is tied to the projects included in the Plan. But the need for imports is not confined merely to the direct requirements of the projects. It is necessary to see that productive capacity created is utilised. Utilisation of the capacity created by new investment requires import of raw materials and of other ancillary products. The financing of these "maintenance" imports, at the present juncture, within the current export earnings becomes extremely difficult, thereby necessitating recourse to foreign assistance. A reasonable proportion of foreign loans could, therefore, most appropriately and fruitfully be on an "untied" basis, so as to ensure their utilisation freely for financing maintenance imports, though it is possible that some readjustments of fresh development projects may become necessary in consequence. It is indeed a good augury that these considerations have begun to influence the form of aid given by the major countries. The country's exiguous reserves cannot but emphasise the high relevance of aid not tied to specific projects to the successful progress of the development programme.

63. **Conclusion.**—The economic developments and problems of 1961-62 which have been reviewed in this Section point to some narrowing of the imbalance between aggregate demand and supply with an easing of the pressure on prices which had characterised the economic situation in the past several years. But this relative stability was associated with a slackening in the rate of development and growing pressure on the balance of payments. No doubt natural factors affecting agriculture played a large part in the slower rate of increase in production during the year, but there was evidence of strains and stresses from bottlenecks in fuel, power and transport and from deficiencies in technical and managerial skill and organisational ability, which acted as drags on economic progress. There is now an opportunity for intensifying the efforts to overcome the immediate hazards and pitfalls that have observed so as to make on the whole for a smoother pace of economic growth.

64. In agriculture, the need to pursue intensively the various measures already accepted for increasing both production and productivity assumes a special urgency not only to broaden the industrial base internally but to make possible an

increasingly larger flow of exports. The emphasis on agricultural productivity remains to be translated into a practical drive which will embrace every farmer in the land reasonably quickly. In the shorter run this emphasis would, in effect, mean concentrated attention at strategic points, so that the increase in both production and productivity would show sizeable improvement in the years immediately ahead. Again, there is need for consideration of appropriate pricing policies, including institution of buffer stocks, for the principal foodgrains and commercial crops, and simultaneously for more vigorous execution of agricultural storage and warehousing programmes.

65. For industry, the problem today is one of making every effort to produce internally, as far as technically feasible, the raw materials and intermediate products required to reduce dependence on imports. Under-utilisation of capacity has been a growing problem latterly and shortage of foreign exchange has intensified it. There is urgent need to bring about the largest measure of import substitution through research, inventiveness and adaptation, and this need would be all the greater if untied loans from abroad are not forthcoming on the scale desired.

66. A limit to available maintenance imports is set, under the present balance of payments position, by the necessity to pay for them through additional exports. The stagnancy in exports over the Second Plan period was a disturbing feature in the otherwise undoubted achievements of the economy and the stimulation and expansion of exports should continue to have top priority. The Government has recently set up a Department of International Trade to impart a new dynamism to the solution of the export problem. The difficulties of exporters have been considered piecemeal from time to time and measures have been introduced to provide additional assistance or special incentives to facilitate exports. What is needed, however, is a comprehensive approach to the entire export problem, for, in the case of exports especially, a drive for all-round increase in productivity is essential. There is evidence that business and industry are getting increasingly aware of the need to reduce costs and there is now a sense of determination about the job. However, cost reduction is not a once-for-all but a continuous operation.

67. In the context of not merely exports but the health of the economy, the need to hold the price line cannot be overemphasised. The development process involves, almost unavoidably, a certain degree of inflationary pressure in a less developed country. But such pressure has to be contained by suitable policies which would mop up surplus purchasing power. There is an inescapable dilemma here. While the object of development is to raise the living standards particularly of those sections in the community who are at or below subsistence levels, there is equally the need to spread the costs of development so as not to exempt these very sections from the scope of the tax net, if the pace of economic development is not to be retarded. This undoubtedly causes some hardship, but development demands sacrifice from all sections of the community. From this point of view the mobilisation of substantial resources by taxation becomes an inescapable constituent of our planning. In fact, since savings in the economy are low—a characteristic of less developed economies generally—this method of levying what in substance is forced savings is unavoidable and is preferable to forced savings by deficit financing beyond the limits set by the growth of the economy. The latter is a form of indiscriminate taxation whose incidence is greatest on those least able to bear it. To make a plea for greater tax effort is of course not to understate the role of voluntary savings both institutional and personal, whether through large public borrowing or maximum mobilisation of small savings. In short, the price line will be better held, if the task of financing the Plan expenditure is executed effectively.

68. Given the size and pattern of the Plan investments, foreign assistance on an adequate scale remains an indispensable supplement to domestic resources for our development. The loans granted so far have been largely tied to projects. The form of foreign assistance available is thus tending to become largely specialised or assigned. As such it allows inadequately for the heavy unfavourable incidence on the balance of payments, of a programme of development of the magnitude and kind on which India has embarked. A certain proportion of aid in the united form should therefore improve its general efficacy and provide greater flexibility in execution of the Plans, owing to the varying procedural delays in securing reimbursement of tied aid.

69. The Reserve Bank's policy in a context where inflationary pressures continue has necessarily been largely a regulatory one, in the interest of ensuring

steady and orderly growth. It has, however, been tempered by encouragement to certain sectors like the co-operatives and small-scale industries; the Bank continued to make additional credit available to them at lower rates of interest. Efforts to strengthen the banking system have also continued, through merger of sub-standard units, and through improvement of the capital funds or equity base of banks, while proposals for legislation to raise the liquidity ratio of banks are under way.

## II. Banking Legislation and Development

**70. Banking Legislation.**—Last year's Report referred to the Central Government's decision to introduce a scheme of deposit insurance covering commercial banks. The necessary legislation to implement this decision was enacted during the year by the passing of the Deposit Insurance Corporation Act, which came into force on January 1, 1962. Certain consequential amendments were simultaneously made to the Reserve Bank of India Act, 1934 and the Banking Companies Act, 1949. Further, effective May 15, 1962, the Reserve Bank of India Act, 1934, the Indian Coinage Act, 1906 and the Currency Ordinance, 1940 were extended to the erstwhile Portuguese territories of Goa, Daman and Diu, consequent on their liberation.

71. The main object of the Deposit Insurance Corporation Act is to give a measure of protection to depositors, especially small depositors, against the risk of losing their savings in the event of a bank's inability to meet its liabilities and thereby assist banks in mobilising deposits. The maximum amount payable by the Deposit Insurance Corporation, established under the Act, in respect of each depositor in each bank, in the same capacity and in the same right, has been fixed at Rs. 1,500, but the Corporation has been empowered to raise, with the prior approval of the Central Government, the limit of insurance from time to time, having regard to its financial position and the interests of the banking system. Two provisions of the Act which are particularly significant from the point of view of depositors are (i) that it covers all commercial banks functioning in the country including the State Bank and its subsidiaries and (ii) that it sets a definite time limit within which the Corporation should make payments to the depositors, namely, five months from the date of winding up of a bank.

72. The maximum premium which the Corporation may charge the insured banks is 15 nP. per annum for every Rs. 100 of the total deposits with the bank (excluding deposits of the Central and State Governments, foreign Governments and banking companies). The Act requires the Corporation to maintain a separate Deposit Insurance Fund to which the premia collected would be credited; the amount in the Fund will be utilised for payment of claims on insured deposits. The Act empowers the Corporation to borrow from the Reserve Bank up to a maximum of Rs. 5 crores. It further empowers the Corporation to request the Reserve Bank to inspect an insured bank for any of the purposes of the Act, and provides for a full exchange of information on insured banks between the Corporation and the Bank. The Corporation has also been empowered to ask insured banks to furnish any information relating to their deposits and to have free access to any of their records. The Act requires the Corporation to be guided in the discharge of its functions by such directions in matters of policy involving public interest as the Central Government may, after consulting the Reserve Bank, give to it in writing.

**73. Measures taken to Strengthen the Banking Structure.**—The aftermath of the Palai bank failure in 1960 had focussed attention on the need to achieve certain structural changes in the banking industry as well as to strengthen the financial position of banking units, so as to reinforce the confidence of depositors in the system. It will be recalled that statutory powers for the compulsory amalgamation of banks were acquired in September 1960 by an amendment to the Banking Companies Act, 1949, which provided for the grant, by the Central Government, on an application from the Reserve Bank, of a moratorium in respect of a banking company up to a period of six months and also empowered the Bank to formulate, with the approval of the Central Government, schemes of reconstruction and amalgamation of banks. In 1961-62, the Central Government granted moratorium to five banks, bringing the total number of banks to which moratorium was granted to 39; the deposits of these 39 banks amounted to Rs. 19 crores. Schemes of amalgamation in respect of 17 banks were also brought into force during the year as against 13 in 1960-61.

74. The Deposit Insurance Corporation started functioning on January 1, 1962, with an authorised capital of Rs. 1 crore, fully paid by the Reserve Bank of India. It is managed by a five-member Board of Directors which include the Governor of the Reserve Bank as its Chairman, and a Deputy Governor of the Reserve Bank. The insurance cover provided by the Corporation is, for the present, fixed at Rs. 1,500 per depositor in each bank; this limit affords full protection to roughly four out of every five depositors, and the insured portion of deposits is estimated at about one-fourth of the total deposits.

75. As a result of the progress made in compulsory mergers and the starting of deposit insurance, public confidence in the banking system, which had been adversely affected to some extent in the latter half of 1960, was fully restored.

76. The need for strengthening the capital funds of banks was emphasised in last year's Report. With the rapid pace of growth of deposits in the last decade, the ratio of paid-up capital and reserves to deposits of Indian banks had steadily declined from 9 per cent. in 1950 to 5 per cent. in 1960, and in the case of several banks to even below 5 per cent. Pending a detailed consideration of the various issues involved before amending the provisions relating to capital and reserve requirements of banks in the Banking Companies Act, certain proposals for building up capital funds of banks were circulated by the Reserve Bank to the Indian Banks' Association, the Exchange Banks' Association and the State Bank of India in June 1961. The proposals, *inter alia*, required banks to transfer at least 20 per cent. of their profits to reserves till the ratio of paid-up capital and reserves reached  $7\frac{1}{2}$  per cent. of the deposits. These proposals were subsequently discussed by the Governor with the representatives of Indian banks in November 1961, and the Governor issued a letter to all scheduled banks on December 27, 1961 (and to all non-scheduled banks on January 25, 1962), requesting them to aim at a minimum ratio of 6 per cent. between capital funds and deposits, and to this end to observe a convention of transferring at least 20 per cent. of their declared profits to published reserves even after reaching parity between reserves and paid-up capital, until the two together formed at least 6 per cent. of their total deposits. The need to augment the paid-up capital either through new issues on the market or calls on unpaid capital was also impressed upon banks since it would take quite some time to attain the proposed minimum capital funds ratio of 6 per cent. through annual additions to reserves. An analysis of the profit and loss accounts of scheduled banks for 1961 revealed that the trend towards building up capital funds by transfers to reserves was broadly in accordance with the suggestion made by the Reserve Bank.

77. In recent years, there had been a continuous decline in the liquidity ratio of banks\* from an average of 42 per cent. during 1951—53 to 34 per cent. in 1956—60; in the same period, the credit-deposit ratio had risen from 61 per cent. to 69 per cent. With the rapid development of the economy envisaged by the Third and subsequent Plans, there will be a substantial growth in the demand for bank credit from trade and industry, leading to a further pressure on bank liquidity. It is, therefore, essential that an adequate share of the resources the banks will be acquiring should be utilised towards maintaining satisfactory liquidity standards. The legal requirements relating to the holdings of Government securities and other liquid assets by banks were originally prescribed in 1949 when the Banking Companies Act was enacted. In the present context of a rapid expansion of bank credit, these requirements need to be enhanced and proposals to this end are under consideration. The ability of the banking system to extend credit to the private sector need not, however, be curtailed, since banks can, subject to the requirements of the overall monetary policy, supplement their resources by borrowing from the Reserve Bank, to cater to genuine credit requirements. In the main, however, they should rely on more adequate mobilisation of deposit resources.

78. The rising trend in the credit-deposit ratio of banks in the last few years as well as prospects of a continuance of this trend emphasises the need for an intensified drive to mobilise deposits by bringing new clientele into the banking fold. The Indian banking system has undoubtedly made considerable progress in deposit mobilization in recent years. The annual rate of deposit growth was stepped up from 3 per cent. during the First Plan to 12 per cent. during the Second Plan, and this order of growth has continued since then. The establishment of the Deposit Insurance Corporation and other measures adopted to strengthen the banking system have created a favourable climate for a vigorous drive to promote the banking habit. The Inter-Bank Agreement on Maximum Deposit Rates has

\*Figures are exclusive of those of the State Bank of India.



diminished the scope of competitive offers of rates. In the last few years, some progress has been made in spreading the network of branches into unbanked areas but there is still considerable leeway to be made. In the field of providing banking facilities to customers, there has of late been a widespread move to ensure quicker and wider services. The introduction in 1962 of free remittance facilities, up to specified limits, by several banks represents an important addition to the range of such services, and further extension of quicker and more efficient services to customers by increasing the utility of maintaining a bank account should prove a fruitful instrument for attracting new depositors.

79. With the steady progress of commercial banking over the last two decades, in terms of both volume of business and geographical coverage, the share of the organised sector in the financing of India's trade and industry has risen appreciably. This has widened the area of effective control by the monetary authorities and reduced the rates of interest for borrowers who would otherwise have been subject to the onerous terms of the indigenous bankers. The number of branches of scheduled banks has increased from 970 in 1937 to about 4,400 by the end of 1961. In addition, there are about 700 branches of non-scheduled banks and over 200,000 co-operative credit institutions. In the years to come, the trend towards enlargement of the organised sector will gather momentum, aided, among other things, by the spread of the banking habit into new areas and to new strata of the population. This apart, several special schemes have been designed and put into operation to enable the commercial banks to lend to specifically deserving sectors like small-scale industries and co-operatives. In the light of these developments, the Reserve Bank recently reviewed *de novo* the proposal it had first put forward in 1937 in the context of inadequacy of organised banking facilities, for a direct link between the Bank and the indigenous bankers, in order to encourage them to finance trade. The fact that indigenous bankers still cater to the requirements of the small-scale sector to some extent has been noted and certain avenues of affording facilities to them in this regard are under consideration.

80. **Branch Expansion of the State Bank of India and its Subsidiaries.**—Last year's Report made mention of the acceptance, by the State Bank, of the recommendation made by a Sub-Committee of its Central Board that the Bank and its subsidiaries should open 300 additional branches in the rural and semi-urban areas during the quinquennium July 1, 1960 to June 30, 1965. The division between the State Bank and its subsidiaries of the number of branches to be opened was left to these institutions to be worked out in a manner convenient to them. It has since been decided that the State Bank of India would open 145 branches and its subsidiaries 155 branches during the period. Since July 1, 1960, the date on which the State Bank of India commenced its second phase of the branch expansion programme, up to the end of June 1962, the Bank has opened 50 branches (including 6 branches opened by the Bank outside this programme) and its subsidiaries 77 branches. It may be mentioned here that the State Bank had completed the first phase of its branch expansion programme, comprising the opening of 400 branches, within five years of its establishment on July 1, 1955. The total number of officers of the State Bank of India and its subsidiaries stood at 1,484 at the end of June 1962.

81. **Clearing Houses.**—Further progress was made during the year in widening the clearing house facilities, as part of the larger programme of extension of banking facilities in the country. In pursuance of a suggestion made in December 1960 by the Reserve Bank to establish clearing houses at 21 additional centres having a population of one lakh and over, the State Bank of India and its subsidiaries had established clearing houses at 5 new centres up to the end of June 1961. During the year under review, the State Bank and its subsidiaries established clearing houses at 7 more centres, thus bringing the total number of clearing houses functioning in the country at the end of June 1962 to 69, of which 7 were being managed by the Reserve Bank, 54 by the State Bank of India, 7 by the subsidiaries of the State Bank and 1 by a commercial bank.

82. **Remittance Facilities.**—Until recently, scheduled banks and State co-operative banks were allowed by the Reserve Bank to make three remittances a week, free of charge, in amounts of Rs. 5,000 or a multiple thereof from each of their upcountry branches at centres where there are agency banks, to their accounts with the offices of the Reserve Bank. With a view to further liberalising the remittance facilities, the Reserve Bank decided in November 1961 to grant to scheduled banks and State co-operative banks similar facilities in the reverse direction, i.e. from the accounts maintained by them with the offices of the Re-

serve Bank to their branches at the upcountry centres where there are branches of the State Bank of India or any of its subsidiaries performing agency functions.

### III. Developments in Industrial Finance

83. The Reserve Bank has played an active part in establishing the institutional machinery for the provision industrial finance and for facilitating industrial growth in the private sector. This machinery is becoming increasingly useful and its scale of operations has continued to expand. In order to meet the increasing demand for finance, it became necessary for some of the agencies to augment their resources by strengthening the capital base, by issuing bonds or cash certificates, by accepting deposits and by borrowing from the Reserve Bank. The activities of the various institutions for financing industry with which the Reserve Bank is closely associated are noticed below.

84. **Industrial Finance Corporation of India.**—The Industrial Finance Corporation of India sanctioned loans and advances for an aggregate amount of Rs. 24.4 crores during the accounting year 1961-62, of which Rs. 3.0 crores were in foreign currency; the corresponding figures for 1960-61 were Rs. 21.2 crores and Rs. 4.3 crores. Since its inception in July 1948 up to the end of June 1962, the Corporation had approved loans for a total of Rs. 130.3 crores, of which Rs. 68.1 crores were disbursed, the amount outstanding at the end of June 1962 being Rs. 49.6 crores, including Rs. 26 lakhs in foreign currency. The Corporation's activities also covered under-writing of equity and preference issues jointly with other institutions and/or brokers, and guaranteeing of deferred payments in respect of imported capital goods. During the year, the Corporation strengthened its capital base by the issue, in March 1962, of additional shares for Rs. 2 crores (raising the paid-up capital to Rs. 7 crores) to which the Reserve Bank contributed Rs. 40 lakhs. Foreign resources were augmented by a further loan of U.S. \$20 million from the Agency for International Development, formerly Development Loan Fund, which had sanctioned a loan of \$10 million in April 1960. The Reconstruction Loan Corporation of the Federal Republic of Germany has also agreed to sanction to the Corporation a loan of DM 15 million. The Central Government have further decided to allocate to the Corporation a sum in Japanese yen equivalent to U.S. \$2 million out of the yen credits to the extent of \$80 million available with them. The Corporation has also been allotted a credit line of \$10 million out of the additional assistance of \$30 million promised by France. The Corporation is exploring the possibilities of securing credits in other foreign currencies as well.

85. **State Financial Corporations.**—Loans and advances of the State Financial Corporations rose by Rs. 6.1 crores during the accounting year 1961-62, as compared to Rs. 3.6 crores in 1960-61, the total amount of loans and advances outstanding at the end of June 1962 being Rs. 24.2 crores. Since their inception up to the end of March 1962, the State Financial Corporations have sanctioned loans and advances for an aggregate amount of Rs. 49.1 crores, of which 30.2 crores have been disbursed. During the year, the Corporations considerably augmented their resources by raising additional share capital, by issuing bonds and cash certificates and by accepting deposits. Thus, the Gujarat and Orissa State Financial Corporations raised additional share capital for Rs. 50 lakhs each. All the Corporations (including the Madras Industrial Investment Corporation) except the above two and the Andhra Pradesh and Jammu and Kashmir Corporations issued bonds for an aggregate amount of Rs. 6.5 crores. The Kerala and Andhra Pradesh Corporations accepted fixed deposits for a total amount of Rs. 5.2 lakhs, while the Madras Corporation accepted fixed as well as call deposits and also issued cash certificates to the tune of Rs. 5.5 crores. During the year, the West Bengal Financial Corporation was appointed as agent of the State Government for routing the concessional finance provided by Government to small-scale industries under the State Aid to Industries Act; such agency arrangements are now in operation in nine out of the fifteen States. In terms of Section 37A of the State Financial Corporations Act, 1951, the Reserve Bank inspected during the year five State Financial Corporations, namely, Madhya Pradesh, Gujarat, Rajasthan, Uttar Pradesh and Kerala. The Madras Industrial Investment Corporation Ltd., Madras, which is a company established under the Indian Companies Act and functioning as a State Financial Corporation, was also inspected on a voluntary basis, pending the application to it of Section 37A of the State

**Financial Corporations Act.\*** These inspections are primarily intended to assist the Corporations in establishing sound practices and traditions, especially in matters relating to loans and advances.

86. In order to facilitate further expansion of the activities of State Financial Corporations, the State Financial Corporations Act, 1961 was amended in March 1962. The amendment Act, which came into force on April 16, 1962, among other things, authorises the Corporation (i) to render financial assistance to the hotel and transport industries and also to concerns engaged in the development of any contiguous area of land as an industrial estate, (ii) to borrow funds from the Reserve Bank for periods not exceeding eighteen months upto 60 per cent of the paid-up share capital as well as from State Governments and any notified financial institution (the Refinance Corporation for Industry has since been notified), (iii) to undertake the business of guaranteeing (a) deferred payments due from any industrial concern in connection with the purchase of capital goods within India and (b) loans raised by industrial concerns from scheduled and State co-operative banks and (iv) to act as agent of any financial institution notified by the Central Government in respect of loans and advances granted or debentures subscribed by such institution (the Industrial Credit and Investment Corporation of India has since been notified). The amendment Act has also enhanced the limit of accommodation in the case of public limited companies and co-operative societies from Rs. 10 lakhs to Rs. 20 lakhs.

87. **Industrial Credit and Investment Corporation of India.**—During 1961, the Industrial Credit and Investment Corporation of India sanctioned total assistance (gross) of Rs. 13.8 crores to 42 companies as compared to Rs. 13.4 crores sanctioned in respect of 44 companies in 1960. The total financial assistance sanctioned by the Corporation since its inception in 1955 up to the end of 1961 was Rs. 42.7 crores, of which Rs. 18.4 crores were disturbed. Of the Rs. 42.7 crores sanctioned, Rs. 29.6 crores represented loans and guarantees, Rs. 10.2 crores underwriting of ordinary and preference shares and debentures and the balance of Rs. 2.9 crores direct subscription to ordinary and preference shares. Of the Rs. 29.6 crores sanctioned in the form of loan and guarantees, the share of foreign currency loans was Rs. 19.4 crores or 65 per cent. The Corporation secured in February 1962 a fourth line of credit of U.S. \$20 million from the International Bank for Reconstruction and Development, the first two of U.S. \$10 million each and the third of U.S. \$20 million having been obtained in 1955, 1959 and 1960. A loan of DM 5 million (Rs. 60 lakhs)—the first West German Credit—has also been sanctioned to the Corporation by the Reconstruction Loan Corporation of the Federal Republic of Germany.

88. **Refinance Corporation for Industry.**—During 1961-62, there was a marked expansion in the business of the Refinance Corporation too, added, among other things, by the operational changes introduced by the Corporation last year. It sanctioned 56 applications for Rs. 9.3 crores, as against 41 applications for Rs. 6.9 crores in the previous year, the total amount disbursed rising from Rs. 2.1 crores to Rs. 6.5 crores. Since its inception in June 1958, the Corporation received 149 applications of Rs. 26.2 crores,† and the amount sanctioned was Rs. 20.5 crores, of which Rs. 10.1 crores were disbursed. The Corporation borrowed during the year two further instalments of Rs. 1 crore each from the Government of India out of the quota of P.L. 480 funds allotted to it, raising the total borrowings to Rs. 7 crores; the rate of interest payable by the Corporation to Government was raised from 1½ per cent for 1960 to 2½ per cent for 1961. Further steps taken by the Corporation to enlarge the scope of its activities included the extension of the refinancing facilities to (a) loans made jointly by two or more banks or a bank and term lending institution, provided such loans are eligible under the refinance scheme, and (b) the medium-term part (i.e.) instalments repayable within 7 to 10 years) of long-term loans. The Corporation has offered to provide refinancing facilities to banks extending term finance to mining units to enable them to utilise the World Bank Loan for \$35 million for the expansion of coal-mining in the private sector. In accordance with one of the recommendations of

\*The Central Government issued in September 1961 a notification in terms of Section 46 of the State Financial Corporations Act, making Section 37A (regarding inspection by the Reserve Bank) and Section 38 (regarding submission of returns) of the Act applicable to the Madras Industrial Investment Corporation Ltd.

†Of this, three applications for Rs. 44 lakhs were withdrawn by the applicant financial institutions.

the Study Group on Credit Facilities for Exporters, set up by the Ministry of Commerce and Industry, that the Corporation should extend refinancing facilities to export credits, a scheme for refinancing medium-term export credits extended by banks for period ranging from 6 months to 5 years is being worked out by the Corporation. To enable the Corporation to undertake this business, the Central Government's agreement with the Agency for International Development of the U.S. Government and the Corporation's agreement with the Central Government have been revised.

**89. Report of the Working Group on the Appraisal of Applications for Term Loans.**—Owing to the growing importance of term loans to industry and the need for improving as well as disseminating more widely the techniques of appraisal of term loan applications, the Reserve Bank of India had set up a Working Group to study and report on the general principles followed by financial institutions in extending such loans. The Group comprised, besides officials of the Bank, representatives of scheduled banks and other financial institutions. The Report submitted by the Working Group has been recently published by the Bank.

**90. Guarantee for Advances to Small-scale Industries.**—The Scheme for the guarantee of advances granted by specified banks and other financial institutions to small-scale industries, initiated by the Government of India in July 1960, to which a reference was made in the last Report, made further progress during the year. The Guarantee Organisation received 2,949 applications for guarantee for sums aggregating Rs. 10.7 crores up to the end of June 1962, of which guarantees were issued in respect of 2,667 applications for a total amount of Rs. 9.1 crores. The guarantee under the Scheme was invoked in respect of one account and the Guarantee Organisation paid its share of Rs. 540 in the default. Although 26 credit institutions from all parts of the country applied for guarantees, the bulk of the applications were from the State Bank of India, which had been operating a Scheme of liberalised credit for small-scale industries and had decided to bring all advances to such industries under the guarantee cover. In addition to the modifications introduced in the Scheme last year to facilitate its working, certain other measures were adopted this year to stimulate greater interest on the part of the credit institutions to enlarge their advances to small-scale industries. Thus, in order to enable small industrial units, whose accounts have been guaranteed under the scheme to obtain licences with expedition for the import of essential raw materials, spare parts, etc., the Government of India have agreed to consider such applications on a priority basis if they are backed by the recommendations of the lending institution. To stimulate lending by scheduled banks to small-scale industries, these banks, as noticed earlier in detail, were permitted to borrow additional funds at the Bank rate from the Reserve Bank.

**91. The Guarantee Scheme,** which was sanctioned on an experimental basis, completed two years of working on June 30, 1962. As provided in the Scheme, a comprehensive review of its working has been prepared and forwarded to the Government of India for decision in regard to the continuance or otherwise of the Scheme. The Scheme will continue to be operative on the existing terms and conditions, pending a final decision in this regard.

**92. State Bank's Credit Facilities to Small-scale Industries.**—The State Bank of India's Scheme for the co-ordinated provision of credit facilities to small-scale industries, which was initiated in April 1956, also made further progress during 1961-62. The number of units assisted and the credit limits sanctioned under the Scheme increased from 2,644 and Rs. 9.2 crores at the end of June 1961 to 2,918 and Rs. 10.7 crores, respectively, at the end of June 1962; the amount outstanding increased over the year from Rs. 4.5 crores to Rs. 5.0 crores. The Bank's eight subsidiaries sanctioned limits aggregating Rs. 4.1 crores under the Scheme to 549 units in their areas of operation, as against Rs. 3.6 crores to 494 units at the end of June 1961, the amount outstanding at the end of June 1962 being Rs. 1.7 crores. As on June 30, 1962, the State Bank had also sanctioned credit limits amounting to Rs. 3.9 lakhs to 12 industrial co-operatives.

**93. In 1958,** the State Bank had agreed in principle to extend medium-term advances to small-scale industries. A Scheme was finalised in 1960-61 for granting reasonable amounts of medium-term advances up to 7 years to small-scale units, which were obtaining their working capital needs from the bank, to meet the cost of modernisation, expansion, replacement etc. During 1961-62, no such advance was granted by the bank, but 2 units were given interim financial accommodation of Rs. 1.1 lakhs, pending the completion of formalities.

94. The State Bank had entered into an agreement with the National Small Industries Corporation in 1958, under which the latter authorized it to finance up to 100 per cent of the value of raw materials pledged as security by small industrial units which secured orders through the Corporation. The Corporation guaranteed the advances of the State Bank to the extent of the difference between the full value of the security and the value up to which normally the State Bank makes advances, subject to a maximum of Rs. 25,000 for each advance. As on June 30, 1962, limits aggregating Rs. 7.9 lakhs had been granted by the Bank under the Scheme to 23 units. As the guarantee relating to margins in respect of raw materials alone was not considered adequate, it was decided in 1960 to enlarge the guarantee to cover all stages of production from the purchase of raw materials to the disposal of finished goods. A suitable Scheme for this purpose is being drawn up in consultation with the Corporation.

#### IV. Co-operative Finance and Development Policy

95. **Financial Accommodation to Co-operative Banks.**—In the sphere of agricultural finance, the Reserve Bank's efforts continued to be directed towards the revitalisation and strengthening of the machinery of co-operative credit. The volume of finance provided by the Bank to the co-operative sector showed a further increase during the year under review. Reference has been made in Section I of this Report to the *short-term* finance made available by the Bank to State co-operative banks at the concessional rate of 2 per cent below the Bank rate for financing seasonal agricultural operations and marketing of crops. The outstandings of the loans thus made available stood at Rs. 114.8 crores at the end of 1961-62, as compared to Rs. 100.1 crores at the end of 1960-61, Rs. 78.2 crores at the end of 1959-60, and Rs. 56.3 crores at the end of 1958-59. *Medium-term* loans sanctioned by the Bank to State co-operative banks, out of the National Agricultural Credit (Long-term Operations) Fund, for agricultural purposes have been referred to in Section I of this Report. The outstanding amount of these loans stood at Rs. 11.7 crores at the end of 1961-62, as against Rs. 8.8 crores at the end of 1960-61, Rs. 6.7 crores at the end of 1959-60 and only Rs. 22 lakhs at the end of 1954-55. In addition, the Bank also sanctioned medium-term loans to State co-operative banks at the Bank rate for advancing, through central co-operative banks and societies affiliated to them, loans to small and medium cultivators to enable them to purchase shares in co-operative sugar factories; the amount of such loans outstanding at the end or June 1962 was Rs. 10 lakhs. As in previous years, the Reserve Bank continued to subscribe to the debentures floated by central land mortgage banks, a reference to which has also been made in Section I of this Report.

96. In recent years, there has been a growing demand for medium and long-term capital for financing agricultural development, especially for financing schemes of development which are remunerative in character but which involve considerable investment or long periods of waiting, such as rubber, coffee, arecanut, etc. At the same time, the resources available for medium or long-term investment in the agricultural sector are inadequate in relation to requirements. With a view to augmenting the available supply of medium and long-term funds, it is proposed to set up a statutory corporation to strengthen the resources available to co-operative and other financing agencies to make long-term advances for special schemes of agricultural development. Details of the proposal have been worked out by the Reserve Bank and forwarded to the Central Government for consideration.

97. **Co-operative Development Policy.**—Earlier in this Report the importance of raising agricultural production as well as productivity has been indicated. To this end, sustained efforts have been made in the past few years through a variety of measures including land improvement, extension of irrigation facilities, distribution of seeds, fertilisers, etc. Of special importance in this respect was the launching of a new integrated scheme, known as the 'Intensive Agricultural District Programme', to which a reference was made in last year's Report. The scheme has been chiefly designed to achieve an immediate increase in the production of foodgrains and other important crops in agriculturally favourable areas by demonstrating the most effective ways of increasing production through an intensive use of human and material resources. Under this programme, which covers a period of five years beginning from 1960-61, an intensive effort is being made to approach farmers through co-operatives and panchayats, with a view to promoting the adoption of an optimum combination of improved practices by making available credit, seeds, manures, etc. and by popularising methods of scientific tillage and progressive farm management. The Programme, which was initiated in one district in each of seven States, was extended to four more States;

and in the seven districts covered last year, the number of blocks was increased from 97 to 113. A new feature of the Programme this year was the selection of the Mandi district in Himachal Pradesh for the development of agriculture and animal husbandry, with financial and technical assistance from the Federal Republic of Germany.

98. In the first year of its operation, the Programme made satisfactory progress in several respects. In the seven districts in which it was introduced, the acreage covered increased from 3 lakh acres during 1960-61 to over 13 lakh acres. Popularisation of the "Combined Programme of Improved Practices" resulted in a substantial increase in the consumption of chemical fertilisers. The first year of operation was also important from the point of view of the experience gained, for this will pave the way for more successful implementation of the Programme in the coming years. For instance, attention was concentrated during the year on identifying and removing some of the serious bottlenecks and deficiencies in the effective implementation of the Programme; these were located mainly in the spheres of selection of areas, training of staff at lower levels, co-ordination between the various departments and agencies, realistic assessment of the credit requirements based on production plans and strengthening and reorganisation of the credit and marketing structure. The progress made in these directions has been under constant review of the Working Group on Intensive Agricultural District Programme, which met four times during the year. In addition, a high-level meeting was also held in Bombay in January 1962 at the Reserve Bank of India to consider the problems relating to the provision of credit by the Reserve Bank in the 'Package' districts. The working of the Programme was also reviewed at a Conference of Agricultural Secretaries held in May 1962, at New Delhi.

99. The Reserve Bank's efforts in connection with the Programme have been directed mainly towards encouraging the co-operatives to participate more actively in the programme, and strengthening and reorganising the co-operative credit and marketing structure for that purpose. To this end, annual programmes have been drawn up for almost all the central banks in the Package districts for the improvement of co-operatives within their area of operation. Field studies are also being undertaken to assess the position of co-operatives and to make recommendations for their improvement. Rural Credit Officers appointed by the Bank at the Regional Offices have been instructed to make monthly visits to the Package districts to review the progress of co-operatives and to assist the district authorities in finding solutions for problems arising in connection with the provision of credit. The results so far have been encouraging. Since the launching of the Programme, the owned funds of most of the central banks in the first seven districts have increased substantially; available figures as of various dates between September 1961 and May 1962 show that the owned funds of these banks totalled Rs. 2.83 crores as compared to Rs. 2 crores at the end of June 1960. Their deposits increased by Rs. 86 lakhs. At the same time, overdues have been brought down appreciably. A team consisting of the representatives of the Ministries of Community Development and Co-operation, and Food and Agriculture, the Reserve Bank and the Ford Foundation has been constituted to visit the Package districts to study the development of co-operative marketing and make recommendations for its improvement. A bench-mark and assessment survey in the Package districts has also been undertaken under the overall guidance of an Expert Committee constituted by the Ministry of Food and Agriculture. The Institute of Agricultural Research Statistics of the Indian Council of Agricultural Research has been entrusted with the task of guiding the co-ordination and planning of this survey in the various States. Officials of the Reserve Bank have also been associated with the assessment and evaluation studies at various levels.

100. During the year, only two banks in the Thanjavur district (Madras State) obtained special credit limits for a total amount of Rs. 50.50 lakhs from the Reserve Bank under the Package Scheme against production plans. The other banks in the districts covered by the programme could not avail themselves of the special credit limits, owing to the delay in the preparation of production plans, but utilised their normal credits which have shown a steady expansion. The procedure for the granting of special credit limits for financing the Package Programme is being reviewed by the Bank from time to time.

101. The National Co-operative Farming Advisory Board, set up by the Government of India for planning and promoting the programme of co-operative farming in the country, on which the Reserve Bank is also represented, held its third meeting in May 1962. At this meeting the Board reviewed the progress of the programme of pilot projects organised during 1961-62 in 64 districts, and decided

that the progress of the pilot projects should be studied on the spot by a few members of the Board. It also decided to start new pilot projects in 89 districts during 1962-63.

102. In view of the establishment of the Panchayati Raj in several States, the Ministry of Community Development and Co-operation constituted in July 1961 a Working Group on Panchayats and Co-operatives to examine the relationship between and the impact of the working of Panchayati Raj on co-operatives and to make recommendations regarding the demarcation of responsibilities as well as measures to secure co-ordination between Panchayats and co-operatives. The Working Group was of the view that Panchayats have an important role to play in the promotion and development of co-operative institutions and should help in increasing membership, deposits and share capital of the local co-operatives, supervising proper utilisation and timely repayment of loans, etc. While the Working Group accepted the autonomy of a village co-operative, it recommended that the Gram Sabha should have the right to discuss matters relating to service co-operatives in so far as they affect the economic development of the area. It also suggested that the Panchayat and the managing committee of the co-operative should meet at least once a quarter to thrash out common problems.

103. The National Co-operative Development and Warehousing Board, set up in 1956 in terms of the Agricultural Produce (Development and Warehousing) Corporations Act, continued to provide loans and subsidies to State Governments under the co-operative development plans for such purposes as contribution to the share capital of marketing and processing societies, construction of godowns, employment of additional staff, etc. The Board appointed during the year a study team comprising representatives of the Government of India, the Reserve Bank and the State Bank to investigate into the co-operative marketing of jute in West Bengal, paddy in Andhra Pradesh and wheat in Rajasthan, and to recommend measures for its development. The study team submitted its reports on the co-operative marketing of jute in West Bengal and paddy in Andhra Pradesh in November 1961 and February 1962, respectively, and the Board has since accepted its recommendations in general. The Central Warehousing Corporation established warehouses at 22 centres during the year, bringing the total number of warehouses established by it so far to 62. The State Warehousing Corporations opened 107 warehouses during the year to bring the aggregate number of warehouses established by them up to the end of June 1962 to 374.

104. The Reserve Bank's Standing Advisory Committee on Agricultural Credit met five times during the year. Some of the important subjects discussed at these meetings were (a) the proposal to set up a corporation for agricultural development finance (already referred to), (b) co-operative development in Himachal Pradesh, Delhi, Pondicherry and Kerala, (c) policy regarding formation of service co-operatives, (d) co-ordination of activities of warehousing corporations and marketing societies, (e) channelling of loans from the Life Insurance Corporation to industrial co-operative estates through State co-operative banks, (f) credit targets under the Third Plan and the resources of the co-operative credit structure, (g) composite *grain gola* scheme in Orissa, and (h) deposit insurance for co-operative banks. The Committee generally welcomed the proposal to set up an Agricultural Development Finance Corporation and emphasised the urgent need for drawing up sound schemes to be financed by it. As regards the credit targets fixed under the Third Plan, the Committee was of the view that the targets, particularly those relating to medium-term credit, were on the high side, and has in this connection recommended that the position regarding credit targets and resources should be reviewed every year, so that the programmes drawn up are well within the capacity, financial and other, of the co-operative credit structure. The Committee also recommended a rapid survey of *grain golas* in Orissa, which has already been undertaken by the Reserve Bank.

105. A Conference of the State Ministers of Co-operation was held in New Delhi in October 1961. The Conference reviewed the action taken on the recommendations of the Committee on Co-operative Credit and the Working Group on Co-operative Farming, considered the reports of the Study Team on Co-operative Training, the Committee on Co-operative Processing and the Committee on Consumers' Co-operation, and made recommendations on various subjects such as co-operative marketing of agricultural produce, relationship between Panchayats and co-operatives, co-operative legislation and multi-unit co-operative societies. As regards the fulfilment of the targets of co-operative credit, the Conference suggested various measures to increase the resources of co-operative socie-

ties such as attracting more deposits, insurance of deposits and additional contributions by the Reserve Bank to the National Agricultural Credit (Long-term Operations) Fund. On the subject of co-operative marketing of agricultural produce, the Conference was of the view that operations of co-operative marketing societies would be greatly facilitated, if clear and firm decision regarding the price policies of Government relating to important crops were made and announced well in advance of the agricultural season. It was also necessary to ensure availability of adequate marketing finance to co-operatives to enable them to expand their business. The Conference suggested that these and other problems relating to co-operative marketing should be examined jointly by the Central Government and the State Bank of India.

106. The Reserve Bank continued to give special attention to the development of handloom finance. The last Report referred to the introduction of the Pilot Scheme, the main objectives of which are to bring within the co-operative fold as large a number of handlooms as possible in the areas selected, to expand their production and marketing activities, to strengthen the share capital structure of the central banks to enable them to provide adequate finance to weavers' societies, to study the organisational problems of weavers' societies, etc. Of the nine States so far selected for the intensive implementation of the Pilot Scheme, officers of the Reserve Bank visited the pilot areas in four States. During the year, some improvement was noticed in the implementation of the Scheme in the pilot centres of five out of the nine States. In the remaining States, the Scheme could not be implemented fully due to inadequate response from the State Governments in sanctioning the necessary field staff. The Bank assisted the State Governments in reforming the co-operative sector of handlooms by making suitable suggestions to them. For example, the Bank assisted the Kerala Government in the amalgamation of three regional societies into the Kerala State Handloom Weavers' Co-operative Society and in the proper maintenance of accounts by the apex society. Officers of the Bank visited the Sholapur District Weavers' Cooperative Societies' Federation, to examine its eligibility for Reserve Bank finance for trading in yarn. The Mysore Cotton Handloom Weavers' Co-operative Society and the U.P. Industrial Co-operative Bank were also inspected during the year. Officers of the Bank also attended the Seminars held by the various State Governments to discuss problems relating to handloom finance. The financial assistance made available by the Reserve Bank to the State co-operative banks for financing the activities of weavers' co-operative societies has been referred to in Section I of this Report.

107. During the year, special studies were conducted of various small-scale industries like the wool industry in Rajasthan and Mysore, the silk weaving industry in Madras, and the palm gur industry in Madras, Andhra Pradesh, Kerala and Mysore to ascertain their eligibility for Reserve Bank finance. It was found that a very substantial measure of internal reorganisation and of public support would be necessary before these industries could be considered for finance under Section 17(2)(bb) of the Reserve Bank of India Act.

108. The Report on the Survey of Urban Co-operative Banks undertaken by the Agricultural Credit Department in collaboration with the Economic Department and the Department of Statistics, a reference to which was made in last year's Report, was published by the Reserve Bank of India in August 1961. The main object underlying the Survey was to study the organisation and working of urban co-operative banks and their role in the financing of small-scale industries. The various observations and findings contained in the Report have been referred to the Registrars of Co-operative Societies for comments.

109. It will be recalled that the Reserve Bank of India had conducted in 1951, an All-India Rural Credit Survey 1951-52 under the auspices of a small Committee of Direction. The General Report on this Survey, which was published in December 1954, formed the basis for comprehensive proposals relating to rural credit and banking development in the country. Since this Survey was mainly intended to provide guidance for policy purposes, the Bank has now undertaken an All-India Rural Debt and Investment Survey 1961-62, the main objective of which is to obtain reliable estimates, with meaningful break-downs, of debt, investment and other important indicators of the rural economy for the country as a whole as well as separately for the larger States. These estimates would constitute a benchmark with which the results thrown up by future Surveys could be compared and the trends in the economy studied. For purposes of the Survey, which covers the rural household sector of all the States and Union Territories, a sample of 2,069 villages spread throughout the country has been selected; of these, 1,901 villages are in the Reserve Bank's sample and the remaining 168 villages constitute the matching sample taken for investigation at State Governments' cost. The



field work of the Survey commenced in January 1962 and is expected to be completed by December 1962.

**110. Amalgamations of Co-operative Banks.**—In pursuance of the Bank's policy of having, as a general rule, one central bank in each district and one apex bank in each State, 13 taluka banks in the Vidarbha region of Maharashtra were amalgamated to form four district banks. The Andhra Co-operative Central Land Mortgage Bank and the Hyderabad Central Land Mortgage Bank were also amalgamated into the Andhra Pradesh Co-operative Central Land Mortgage Bank, with jurisdiction extending over the whole of the Andhra Pradesh.

**111. Inspection of Co-operative Banks.**—During the year under review, 293 co-operative banks and 91 large-sized credit societies were inspected. Of the 1,804 inspections carried out so far, 93 were of State co-operative banks, 1,325 of central co-operative banks, 20 of industrial co-operative banks, 11 of Central land mortgage banks, and 355 of miscellaneous societies. During the year, the Bank held two Seminars on the inspection of co-operative institutions for the benefit of the inspecting officers of the Agricultural Credit Department.

### V. Supervision and Regulation of Banks

**112. Inspection and Supervision of Commercial Banks.**—During the year, 54 scheduled banks and 168 non-scheduled banks were inspected under Section 35 of the Reserve Bank of India Act, 1949. In addition, scrutinies of the affairs of 21 banks were carried out, five for examining the feasibility of voluntary amalgamation in terms of Section 44A of the Banking Companies Act, 1949, nine for issuing certificates for voluntary liquidation under Section 44(I), three for ascertaining whether there was a *prima facie* case for misfeasance proceedings under Section 45L(3) and one each for issuing a certificate for a scheme of arrangement under Section 44B, for fixing the price of a bank's shares on the basis of its intrinsic or break-up value, for ascertaining the extent to which a bank had implemented the directions issued to it, and for determining the extent to which the investments and advances of a bank had depreciated. The inspection of 33 foreign offices of 7 Indian scheduled banks in Hongkong, Japan, Singapore, Malaya, Thailand, Burma and Ceylon was also undertaken during the year.

**113.** As in previous years, the Bank continued to pursue vigorously the rectification of defects observed in the working of banks. Periodical progress reports regarding action taken by banks for rectifying defects brought to their notice were called from 95 banks during the year under review. At the end of June 1962, there were 92 banks submitting monthly progress reports and 147 banks submitting quarterly progress reports. In certain cases, informal discussions were held with representatives of the banks concerned with a view to drawing their pointed attention to the more important defects in their working and impressing upon them the need for taking expeditious steps for improving their affairs. In cases where the findings of inspection called for stricter control over the affairs of the banks, suitable directions were issued for compliance. At the end of the year, 74 banks (20 scheduled and 54 non-scheduled) were working under directions issued in terms of Section 35A of the Banking Companies Act. In some cases, observers were also deputed to attend the directors' meetings and to carry out periodical scrutiny of the current affairs of the banks.

**114.** The total number of banks which held licences remained unchanged at 65 over the year ended June 1962. The deposits of these banks, together with the deposits of the State Bank of India and its subsidiaries, which do not require a licence accounted for about 96 per cent of the total deposits of all scheduled and non-scheduled banks working in India. Licences were refused to 7 banks during the year, bringing the aggregate number of banks to which licences have been refused so far to 145.

**115. Liquidation of Banks.**—During the year under review, eight non-scheduled banks (with deposits aggregating only Rs. 33.6 lakhs) went into liquidation. Of these, three had their registered offices in Kerala, two in Madras and one each in Bihar, Madhya Pradesh and Mysore. Four of these banks were ordered to be wound up by the Courts, while the remaining four went into voluntary liquidation. Certificates under Section 44(I) of the Banking Companies Act, 1949, were also issued to 8 other banks (seven in Madras and one in Kerala) to enable them to go into voluntary liquidation.

116. Last year's Report made mention of the winding up of the Palai Central Bank Ltd. under an Order passed by the Kerala High Court following an application made in this behalf by the Reserve Bank of India. Subsequent to this Order, one of the directors of the bank filed a petition in the Kerala High Court for the issue of a certificate under Article 132(I) of the Constitution for leave to appeal to the Supreme Court against the judgement of the Kerala High Court but this petition was rejected by the Court. The petitioner, thereupon, filed an application in the Supreme Court for special leave under Articles 132 and 136 of the Constitution as well as an application for stay of winding-up proceedings, pending the disposal of the former application. One of the shareholders and depositors of the bank also filed a Writ Petition in the Supreme Court under Article 32 of the Constitution challenging the constitutional validity of Section 38(3) (b)(ii) of the Banking Companies Act, 1949, and an application for stay of winding-up proceedings pending disposal of the Writ Petition. The Court did not grant any *interim* stay of winding-up proceedings as requested by the petitioners, but admitted the application for special leave and directed the petitioners to file in the Court copies of the relevant records of the High Court so that the Appeal and the Writ Petition could be heard together. The matter came up for hearing before the Constitution Bench of the Supreme Court on November 15, 1961, and the Court, in their judgement delivered on March 7, 1962, upheld the constitutional validity of Section 38(1) and (3) (b)(iii) of the Banking Companies Act, 1949, and dismissed the Appeal and the Writ Petition.

117. **Miscellaneous Matters relating to Banking.**—Five banks were excluded from the Second Schedule during the year; three banks amalgamated with other banks under Section 45 of the Banking Companies Act, 1949, one bank amalgamated with another bank on a voluntary basis and one bank which had ceased transacting banking business was refused a licence by the Reserve Bank under Section 22 of the Banking Companies Act, 1949. The total number of banks in the Second Schedule at the end of June 1962 was 81.

118. The total number of offices of scheduled banks rose further during the year by 224 to 4,492. Of the new offices, 53 were opened at places not formerly served by commercial banks.

119. A scheme of amalgamation was sanctioned during the year in terms of Section 44A(4) of the Banking Companies Act, 1949.

120. In accordance with the decisions taken at the meetings of the Implementation Committees on the Indo-Pakistan Movable Property Agreement and the Banking Agreement, held in July 1961, the Pakistan Government issued a notification in August 1961 under Section 55 of the Pakistan (Administration of Evacuee Property) Act, 1957, declaring 59 Indian banks as non-evacuee concerns and exempting them from the operation of the Evacuee Property Law. Another notification defreezing the assets of evacuee Indian banks was also issued by the Pakistan Government in December 1961. The exchange of lockers, articles deposited for safe custody and the bank accounts and funds of evacuees from areas comprising East Punjab and East Punjab States on the Indian side and West Punjab and Bahawalpur State on the Pakistan side, which was to have taken place on September 30, 1961, was, however, postponed to November 30, 1961 on which date bank drafts aggregating Rs. 8.71 lakhs and lockers and articles held in safe custody were handed over to the Pakistan authorities. Simultaneously, bank drafts aggregating Rs. 2.55 lakhs and lockers and articles held in safe custody were also received from the Pakistan authorities. As regards the grant of facilities to Indian banks for realisation of their assets in Pakistan, the Government of Pakistan issued in February 1962 instructions to the various departments to settle outstanding claims of Indian banks including disbursement of the amounts payable to them in respect of movable properties belonging to or pledged or hypothecated to them and taken over by Government departments.

121. **Education and Training.**—In pursuance of its policy of organising and promoting the training and education of personnel for commercial and co-operative banks, the Reserve Bank continued to sponsor appropriate courses for different categories of personnel. The Bankers Training College, which was set up in 1954 for imparting training in practical banking to the supervisory staff of commercial banks, has so far conducted 37 senior courses at which 929 officers from all over the country have received training. The intermediate course, which was commenced in September 1960 for providing training facilities to sub-managers, accountants etc., has imparted training to 200 candidates at 9 such courses conducted so far. Besides, 43 candidates drawn from various State Financial Corporations

and commercial banks eligible for refinance facilities from the Refinance Corporation for Industry received training in the specialised eight-week Industrial Finance course, which was started in July 1960; two such courses have been conducted so far. The training facilities at the College, which were hitherto available only to all scheduled banks and those non-scheduled banks having deposits of Rs. 25 lakhs and over, have now been extended to all non-scheduled banks with deposits ranging from Rs. 5 lakhs to Rs. 25 lakhs. In addition, on the recommendations of the Standing Sub-Committee of the Central Committee for Co-operative Training the apex and central co-operative banks have also been permitted to avail themselves of the training facilities at the College to enable their officers to receive adequate training in commercial banking.

122. The suggestions of the Seminar organised by the Reserve Bank in June 1961 for evaluating the training courses conducted by the Bankers' Training College, to which a reference was made in last year's Report, were considered by the Advisory Council of the College at a meeting held in December 1961. Among the more important suggestions accepted by the Council are (1) the introduction of a special course on Foreign Exchange of about six weeks' duration and (2) the inclusion of certain new subjects (covering mainly problems of industrial finance and staff management and special problems relating to bank advances) in the senior course, increasing its duration from nine to ten weeks. The scope of the senior course has since been expanded and its duration increased to ten weeks, beginning from April 1962. As regards the introduction of the course on Foreign Exchange, the Council has recommended that one or two *ad hoc* courses might be conducted to start with and the question of conducting the course on a permanent basis should be decided later in the light of experience and response from the banks. The first course on Foreign Exchange will commence from September 1962.

123. The training scheme for co-operative personnel, both departmental and institutional, progressed satisfactorily during 1961-62. At the different courses conducted or supervised by the Central Committee for Co-operative Training, 56 senior officers, 221 intermediate level officers, 635 block level co-operative officers, 199 officers for co-operative marketing, 71 officers for land mortgage banking, 133 officers for industrial co-operation and 600 junior co-operative officers were trained during the year. Besides, the Central Committee also conducted a number of refresher courses and special *ad hoc* courses at different centres for teachers in co-operation and for certain categories of officers of the Co-operative Departments and co-operative banks.

124. The Report of the Study Team on Co-operative Training set up by the Government of India in November 1960, which was submitted to Government in April 1961, was considered at a Conference of the State Ministers for Co-operation held in October 1961. In view of the recommendations of the Conference, which were subsequently approved by the Government of India, the Central Board of Directors of the Reserve Bank decided that the Senior Officers' Course, the Intermediate Officers' Courses, and the Special Short-term Courses on Co-operative Marketing and Land Mortgage Banking conducted at the Regional Co-operative Training Centres and financed by the Reserve Bank should be transferred to the State Co-operative Unions or the National Co-operative Union before July 1, 1962, and as from that date, the Central Committee for Co-operative Training should cease to be a Committee of the Reserve Bank for the purpose of providing training facilities for the abovementioned courses. Accordingly, a Committee for Co-operative Training, set up by the National Co-operative Union of India, with the approval of the Government of India, took over the work relating to co-operative training and education as from July 1, 1962.

125. Under a programme undertaken by the Bank of producing 12 films and 23 film strips on co-operative education and training for use at the co-operative training centres, the production of 10 films and a few film strips has been completed so far and the balance is expected to be completed by the end of September 1962.

126. **Award of the National Tribunal on Wage Disputes in Banking Industry.**—An important event during the year was the publication by the Government of India at the end of June 1962 of the Award of the National Industrial Tribunal (Bank Disputes), set up in March 1960 and presided over by Shri Justice K. T. Desai, for adjudication in the disputes regarding wages and other service conditions between commercial banks and their employees.

127. Under the Award, various pay scales have been fixed for bank employees after classifying (a) the banks into three classes on the basis of their working

funds and (b) the areas in which bank offices function into three categories, instead of five classes of banks and four categories of areas under the existing Award. The Tribunal has placed six small banks in a separate 'Excepted List' in view of their low paying capacity. As the sudden abolition of the fourth area is likely to cause hardships to banks having offices in that area, the Tribunal has provided that wages of the staff working in this area should be increased in terms of the new Award on a graduated scale over a period of four years. A large part of the existing dearness allowance has been merged with the revised basic pay which has been fixed with reference to the base year 1949. A new dearness allowance scheme has been drawn up which provides for full neutralisation of the rise in the cost of living in respect of sub-ordinate staff and for 75 per cent neutralisation in respect of other employees, the dearness allowance varying in accordance with every increase or decrease of four points in the quarterly average of the All-India Consumer Price Index (Base: 1949=100). With a view to limiting the burden on banks in the matter of the increased superannuation benefits arising on account of the merger of a large part of the dearness allowance in basic pay, the Award has prescribed a smaller amount than the actual basic pay for the purpose of calculating the provident fund, gratuity and pension. Directions in the Award in respect of wages, provident fund, pension and gratuity will have retrospective effect from January 1, 1962. In regard to other matters, the Award will come into operation from the date from which it is enforceable under Section 17(A) of the Industrial Disputes Act. The banks have to implement the Award within a period of five months as from that date.

128. The Report for 1959-60 had mentioned that the Government of India had referred, in March 1960, the dispute between the Reserve Bank of India and its employees to the National Tribunal for adjudication. The hearings in this connection have been concluded and the Tribunal's Award is awaited.

## VI. Accounts and Other Matters

129. **Income and Expenditure.**—During the accounting year ended June 30, 1962, the Bank's income, after making statutory and other provisions, amounted to Rs. 53.98 crores, and expenditure, which included expenses of administration and provision for sundry liabilities and contingencies, to Rs. 10.48 crores. Both income and expenditure showed an increase over 1960-61, the former of Rs. 1.91 crores and the latter of Rs. 0.91 crore. The net profit available for payment to the Central Government in terms of Section 47 of the Reserve Bank of India Act was Rs. 43.50 crores or Rs. 1 crore more than in the previous year. The increase in income during the year was mainly due to interest realised on larger holdings of rupee securities in the investment portfolio (including the funding of *ad hoc* Treasury bills for Rs. 50 crores in February 1962), offset to some extent by the decline in interest earnings on reduced average holdings of sterling securities and lesser advances availed of by scheduled banks, as well as in discounts consequent on a shrinkage in the average holdings of and lower discount rates on foreign and rupee Treasury bills.

130. In view of the increasing demand on the National Agricultural Credit (Long-term Operations) Fund, an enhanced contribution of Rs. 11 crores was made to this fund as against Rs. 10 crores made in the previous year. A sum of Rs. 1 crore was contributed to the National Agricultural Credit (Stabilisation) Fund.

131. The rise in expenditure amounting to Rs. 91 lakhs was mainly under the heads 'Establishment', 'Security Printing', 'Remittance of Treasury' and 'Agency Charges'. The expenditure under 'Establishment' was mainly due to the opening of three new regional offices of the Agricultural Credit Department, a branch of the Exchange Control Department and the launching of the All-India Rural Debt and Investment Survey by the Department of Statistics. The staff of the Agricultural Credit Department, Department of Banking Operations and Issue Department was also augmented to cope with the increased volume of work. The increase in the expenditure under 'Security Printing' was due to comparatively larger indents for Note Forms and higher rates charged by the Security Printing Press for printing Note Forms. The increase under 'Remittance of Treasury' was on account of the reimbursement of costs of remittances to a larger number of agencies and sub-agencies, while that under 'Agency Charges' was due to increased commission paid to the State Bank of India and its subsidiaries on account of larger turnover of Government transactions.

132. **Auditors.**—The Accounts of the Bank have been audited by Messrs. S. B. Billimoria and Co. of Bombay, Messrs. P. K. Ghosh and Co. of Calcutta and Messrs. Sastri and Shah of Madras, who were appointed by the Government of

India as auditors of the Bank by Notification No. F. 3(55)-BC/61, dated October 12, 1961 issued in exercise of the powers conferred by Section 50 of the Reserve Bank of India Act.

**133. Composition of the Central Board.**—Shri H. V. R. Iengar retired as Governor of the Bank on the expiry of his term of office on March 1, 1962. Shri B. Venkatappiah also relinquished his post of Deputy Governor of the Bank on the same date to take over as Chairman of the State Bank of India. The Board wishes to place on record its high appreciation of the services rendered by the retiring Governor and the Deputy Governor.

**134.** Shri P. C. Bhattacharyya was appointed as Governor of the Bank for a period of five years, with effect from March 1, 1962, and Prof. D. G. Karve as Deputy Governor for a period of two years as from that date.

**135.** The Central Board regrets to record the demise of Shri B. P. Singh Roy, a Director of the Bank, on November 24, 1961 and places on record its appreciation of the services rendered by him to the Bank. In the vacancy, Shri Biren Mookerjee was nominated by the Government of India in terms of Section 12(4) of the Reserve Bank of India Act, as a Director of the Central Board to represent the Eastern Area Local Board of the Bank.

**136.** Shri K. C. Mahindra and Prof. D. R. Gadgil retired as Directors of the Central Board of the Bank on the expiry of their term of office on January 14, 1962. The vacancies were filled by the Government of India by the re-nomination of Shri K. C. Mahindra and the nomination of Prof. C. N. Vakil as Directors of the Central Board in terms of Section 8(1)(c) of the Reserve Bank of India Act, 1934. The Board places on record its appreciation of the services rendered by Prof. D. R. Gadgil all through his long association with the Reserve Bank.

**137. Local Boards.**—In terms of Section 12(3) of the Reserve Bank of India Act, the vacancy caused by the death of Shri B. P. Singh Roy on the Eastern Area Local Board was filled by the Central Board by the nomination of Shri Biren Mookerjee, effective February 26, 1962.

**138. Meetings of the Central Board and its Committee.**—Six meetings of the Central Board were held during the year, three in Bombay and one each in Calcutta, New Delhi and Madras. The Committee of the Central Board held fifty-two meetings, of which one was held in Madras, one in New Delhi and the rest in Bombay.

**139. Bank's Premises.**—The construction work of the Bank's office buildings at Netaji Subhash Road, Calcutta and at Lamington Road, Bombay, was in progress during the year. The construction of new office buildings at Kanpur and Patna will commence shortly and plans for the office building at Bangalore are being finalised. In accordance with the Bank's policy to establish an integrated and full-fledged office in each State, steps are being taken to acquire land for the construction of office premises at Gauhati, Bhubaneswar, Chandigarh, Jaipur, Ahmedabad, Bhopal, Hyderabad and Trivandrum. The question of providing additional residential accommodation for the staff at Bombay as well as at other centres continued to engage the attention of the Bank. The construction of two staff colonies, one at Bombay and the other at Calcutta, is expected to commence shortly.

**140. Opening and Closing of Offices or Branches of the Reserve Bank.**—During the year under review, three regional offices of the Agricultural Credit Department were opened at Hyderabad (on February 14, 1962), Jaipur (on April 2, 1962) and Gauhati (on May 1, 1962) and one office of the Exchange Control Department at Ahmedabad (on December 1, 1961). A Public Debt Office, with jurisdiction covering the whole of Madhya Pradesh and thirteen districts of Maharashtra, was also opened at Nagpur on April 2, 1962. The Public Debt Office, established at Hyderabad in November 1956, was raised to the status of a full-fledged office on December 18, 1961, with jurisdiction extending over the whole of Andhra Pradesh.

## RESERVE BANK OF INDIA

Balance Sheet as at June 30, 1962

## ISSUE DEPARTMENT

Liabilities				Assets			
	Rs.	np.	Rs.	np.		Rs.	np.
Notes held in the Banking Department	43,30,86,120.00				A. Gold Coin and Bullion:—		
Notes in circulation	2076,68,18,076.50				(a) Held in India	117,76,10,478.87	
Total Notes issued			2119,99,04,196.50		(b) Held outside India		
					Foreign Securities	91,68,16,579.32	
					TOTAL OF A		209,44,27,058.19
					B. Rupee Coin		116,23,73,644.04
					Government of India Rupee Securities		1794,31,03,494.27
					Internal Bills of Exchange and other Commercial Paper		
TOTAL LIABILITIES			2119,99,04,196.50		TOTAL ASSETS		2119,99,04,196.50

BANKING DEPARTMENT

Liabilities			Assets		
	Rs.	np.		Rs.	np.
Capital paid up . . . . .	5,00,00,000·00		Notes . . . . .	43,30,86,120·00	
Reserve Fund . . . . .	80,00,00,000·00		Rapee Coin . . . . .	1,32,899·00	
National Agricultural Credit (Long-term Operations) Fund . . . . .	61,00,00,000·00		Subsidiary Coin . . . . .	3,00,064·99	
National Agricultural Credit (Stabilisation) Fund . . . . .	7,00,00,000·00		Bills Purchased and Discounted:—		
			(a) Internal . . . . .		
Deposits:—			(b) External . . . . .		
(a) Government			(c) Government Treasury Bills . . . . .	44,03,86,208·76	
(1) Central Government . . . . .	53,35,77,567·97		Balances held abroad* . . . . .	5,69,22,618·44	
(2) Other Governments . . . . .	25,48,76,773·34		Loans and Advances to Governments . . . . .	34,89,45,067·50	
(b) Banks . . . . .	98,36,46,423·70		Other Loans and Advances . . . . .	134,93,36,734·53	
(c) Others . . . . .	193,15,13,399·35		Investments** . . . . .	278,85,34,794·29	
Bills Payable . . . . .	34,33,55,820·77		Other Assets . . . . .	42,27,63,800·57	
Other Liabilities . . . . .	26,33,38,322·95				
<b>TOTAL LIABILITIES</b> . . . . .	<b>584,04,08,308·08</b>		<b>TOTAL ASSETS</b> . . . . .	<b>584,04,08,308·08</b>	

Contingent liability on partly paid shares Rs. 4,06,66,666·67  
(including sterling investments of £50,000 converted at 1sh. 6d.)

\*Includes Cash and Short-term Securities.  
\*\*Includes £269 375 held abroad.

N.D. NANGIA,  
Chief Accountant

Dated July 24, 1962.

P. C. BHATTACHARYYA,  
Governor.  
M. V. RANGACHARI,  
Deputy Governor.  
D.G. KARVE,  
Deputy Governor.

## RESERVE BANK OF INDIA

## PROFIT AND LOSS ACCOUNT

	For the year Ended					
	June 30, 1962		June 30, 1961		June 30, 1960	
	Rs.	np.	Rs.	np.	Rs.	np.
<b>INCOME</b>						
Interest, Discount, Exchange, Commission, etc.	53,97,62,586	37	52,07,05,659	66	47,56,98,191	33
<b>EXPENDITURE</b>						
Establishment	4,66,39,181	56	4,39,64,597	52	3,99,90,211	06
Directors' and Local Board Members' Fees and Expenses	50,264	04	80,415	28	79,157	30
Auditors' Fees	30,000	00	30,000	00	22,500	00
Rent, Taxes, Insurance, Lighting, etc.	27,82,335	45	26,07,806	11	21,46,682	16
Law Charges	1,46,220	81	79,450	75	47,296	40
Postage and Telegraph Charges	4,48,868	18	3,64,096	82	3,44,744	30
Remittance of Treasure	38,40,914	12	33,29,148	77	20,27,926	67
Stationery, etc.	11,12,908	92	10,53,252	47	9,61,034	03
Security Printing (Cheque, Note Forms, etc.)	2,28,04,502	74	1,74,51,898	05	1,19,78,666	19
Depreciation and Repairs to Bank Property	51,19,591	85	53,54,407	67	46,33,013	68
Agency Charges	1,77,24,516	77	1,75,17,517	59	1,01,13,855	95
Contributions to Staff and Superannuation Funds	7,32,000	00	7,32,000	00	7,32,000	00
Miscellaneous expenses	33,30,368	90	31,40,173	13	26,09,481	10
Net available balance	43,50,00,912	99	42,50,00,895	50	40,00,12,602	49
<b>TOTAL</b>	<b>53,97,62,586</b>	<b>37</b>	<b>52,07,05,659</b>	<b>66</b>	<b>47,56,98,191</b>	<b>33</b>



PROFIT AND LOSS ACCOUNT—*Continued.*

	For the year ended					
	June 30, 1962		June 30, 1961		June 30, 1960	
	Rs.	np.	Rs.	np.	Rs.	np.
Surplus payable to the Central Government . . . . .	43,50,00,912·99		42,50,00,895·50		40,00,12,602·49	
Balance Carried Forward . . . . .	Nil		Nil		Nil	
TOTAL . . . . .	43,50,00,912·99		42,50,00,895·50		40,00,12,602·49	

RESERVE FUND ACCOUNT

By balance on June 30, 1962 . . . . .	80,00,00,000·00
By transfer from Profit and Loss Account . . . . .	Nil
TOTAL . . . . .	80,00,00,000·00

N.D. NANGIA,  
*Chief Accountant.*

P.C. BHATTACHARYYA,  
*Governor.*

M.V. RANGACHARI,  
*Deputy Governor.*

D.G. KARVE,  
*Deputy Governor.*

## REPORT OF THE AUDITORS

TO THE PRESIDENT OF INDIA,

We, the undersigned Auditors of the Reserve Bank of India, do hereby report to the Central Government upon the Balance Sheet and Accounts of the Bank as at 30th June, 1962.

We have examined the above Balance Sheet with the Accounts, Certificates and Vouchers relating thereto of the Central Office and of the offices at Calcutta, Bombay and Madras and with the Returns submitted and certified by the Managers of the other Offices and Branches, which Returns are incorporated in the above Balance Sheet, and report that where we have called for explanations and information from the Central Board such information and explanations have been given and have been satisfactory. In our opinion, the Balance Sheet is a full and fair Balance Sheet containing the particulars prescribed by and in which the assets have been valued in accordance with the Reserve Bank of India Act, 1934 and the Regulations framed thereunder and is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us, and as shown by the Books of the Bank.

Dated July 24, 1962.

S. B. BILLIMORIA & C\*.,  
P. K. GHOSH & Co.,  
SASTRI & SHAH } Auditors.

[No. F. 3(54)-BC/62.]

New Delhi, the 27th September 1962

S.O. 3049.—Statement of the Affairs of the Reserve Bank of India, as on the 21st September 1962.

BANKING DEPARTMENT

Liabilities	Rs.	Assets	Rs.
Capital paid up. . . . .	5,00,00,000	Notes . . . . .	18,96,51,000
Reserve Fund . . . . .	80,00,00,000	Rupee Coin . . . . .	2,78,000
National Agricultural Credit (Long Term Operations) Fund . . . . .	61,00,00,000	Small Coin . . . . .	3,44,000
National Agricultural Credit (Stabilisation) Fund . . . . .	7,00,00,000	National Agricultural Credit (Long Term Operations) Fund	
Deposits :—		(a) Loans and Advances to :—	
(a) Government		(i) State Governments . . . . .	24,03,29,000
(i) Central Government . . . . .	73,78,49,000	(ii) State Co-operative Banks . . . . .	11,77,03,000
(ii) State Governments . . . . .	15,70,87,000	(iii) Central Land Mortgage Banks . . . . .	..
(b) Banks		(b) Investment in Central Land Mortgage Bank Debentures . . . . .	2,84,90,000
(i) Scheduled Banks . . . . .	84,65,77,000	National Agricultural Credit (Stabilisation) Fund Loans and Advances to State Co-operative Banks . . . . .	..
(ii) State Co-operative Banks . . . . .	1,89,92,000	Bills Purchased and Discounted :—	
(iii) Other Banks . . . . .	2,00,000	(a) Internal . . . . .	..
(c) Others . . . . .	160,13,22,000	(b) External . . . . .	..
Bills Payable . . . . .	25,14,35,000	(c) Government Treasury Bills . . . . .	125,24,20,000
Other Liabilities . . . . .	23,13,14,000	Balances held abroad* . . . . .	7,58,17,000
Rupees . . . . .	537,47,76,000	Loans and Advances to Governments** . . . . .	3,85,00,000
		Loans and Advances to :—	
		(i) Scheduled Banks† . . . . .	6,28,50,000
		(ii) State Co-operative Banks†† . . . . .	127,76,92,000
		(iii) Others . . . . .	1,34,07,000
		Investments . . . . .	173,30,63,000
		Other Assets . . . . .	34,42,27,000
		Rupees . . . . .	537,47,76,000

\*Includes Cash and Short Term Securities.

\*\*Excluding Loans and Advances from the National Agricultural Credit (Long Term Operations) Fund.

† Includes Rs. 5,04,00,000 advanced to scheduled banks against usance bills under Section 17(4)(c) of the Reserve Bank of India Act.

†† Excluding Loans and Advances from the National Agricultural Credit (Long Term Operations) Fund and the National Agricultural Credit (Stabilisation) Fund.

Dated, the 26th day of September, 1962.

An Account pursuant to the Reserve Bank of India Act, 1934, for the week ended the 21st day of September 1962.

ISSUE DEPARTMENT

Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Notes held in the Banking Department .	18,96,51,000		Gold Coin and Bullion :—		
Notes in circulation . . . . .	2019,79,38,000		(a) Held in India . . . . .	117,76,10,000	
			(b) Held outside India . . . . .	..	
Total Notes issued . . . . .		2038,75,89,000	Foreign Securities . . . . .	88,34,17,000	
			TOTAL . . . . .		206,10,27,000
			Rupee Coin . . . . .		124,62,73,000
			Government of India Rupee Securities . . . . .		1708,02,89,000
			Internal Bills of Exchange and other commercial paper . . . . .		..
TOTAL LIABILITIES . . . . .		2038,75,89,000	TOTAL ASSETS . . . . .		2038,75,89,000

Dated, the 26th day of September, 1962.

M. V. RANGACHARI,  
Deputy Governor.

[No. F. 3(2)-BC/62.]

A. BAKSI, Jt. Secy.

## (Department of Economic Affairs)

## (Stock Exchange Division)

*New Delhi, the 29th September 1962*

**S.O. 3050.**—The Central Government having considered the application for renewal of recognition made under section 3 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) by the Calcutta Stock Exchange Association Limited, Calcutta, and being satisfied that it would be in the interest of the trade and also in the public interest so to do, hereby grants, in exercise of the powers conferred by section 4 of the said Act, recognition to the said Exchange under section 4 of the said Act for a further period of five years commencing on the 10th October, 1962 and ending with the 9th October, 1967, in respect of contracts in securities subject to such conditions as may be prescribed or imposed hereafter.

[No. F. 1/2/SE/EAD/62.]

**S.O. 3051.**—The Central Government having considered the application for renewal of recognition made under section 3 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) by the Madras Stock Exchange limited, Madras, and being satisfied that it would be in the interest of the trade and also in the public interest so to do, hereby grants, in exercise of the powers conferred by section 4 of the said Act, recognition to the said Exchange under section 4 of the said Act for a further period of five years commencing on the 15th October, 1962 and ending with the 14th October, 1967, in respect of contracts in securities subject to such conditions as may be prescribed or imposed hereafter.

[No. F. 1/3/SE/EAD/62.]

P. S. NADKARNI, Dy. Secy.

**CENTRAL BOARD OF REVENUE****CORRIGENDUM***New Delhi, the 28th September 1962*

**S.O. 3052.**—In exercise of the powers conferred by sub-section (1) of section 121 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Revenue hereby directs that in its Notification No. 57 (F. No. 55/1/62-IT), dated the 28th August, 1962, published as SO-2771 on page 2944 of the Gazette of India dated the 8th September, 1962, for the words "and Central Circles I-A, I-B, I-C, II-A, II-B, II-C, II-D and II-E at Bombay and Central Circles I, II and III at Ahmedabad" occurring in para 2 thereof please read—

"and Central Circles I-A, I-B, I-C, II-A, II-B and II-E at Bombay and Central Circles I, II and III at Ahmedabad"

[No. 61 (F. No. 55/1/62-IT).]

J. RAMA IYER, Under Secy.

**CUSTOMS***New Delhi, the 6th October 1962*

**S.O. 3053.**—In exercise of the powers conferred by clause (c) of section 11 of the Sea Customs Act, 1878 (8 of 1878), as in force in India and as applied to the State of Pondicherry, the Central Board of Revenue hereby makes the following further amendment to its Notification No. 117-Customs dated the 9th September, 1950, namely:—

In the Schedule annexed to the said Notification against the port of Bhavnagar, in column 3, for entry 7 relating to the wharf situated on "Akwada Creek", the following entry shall be substituted, namely:—

"7. Landing and shipping area at Akwada Creek with four wooden stepping slopes each of 45'—0'' × 8'—0'' having an immediate attached area of 300' × 55' × 98' with the following boundaries:

North: Open space for future construction.  
 South: Akwada Creek and marshy area.  
 East: Gulf of Cambay.  
 West: Marshy land.

[No. 142]

J. BANERJEE, Secy.

**CENTRAL EXCISE COLLECTORATE, HYDERABAD****CENTRAL EXCISES***Hyderabad, the 28th August, 1962*

**S.O. 3054.**—In pursuance of Rule 85 of Central Excise Rules, 1944 I hereby empower the Chemical Examiner Custom House, Madras to determine the sucrose content of sugar in cases of dispute.

[No. 14/62.]

R. C. MEHRA, Collector.

**MINISTRY OF COMMUNITY DEVELOPMENT, PANCHAYATI RAJ AND COOPERATION****(Department of Cooperation)***New Delhi, the 25th September 1962*

**S.O. 3055.**—In exercise of the power conferred by Section 5B of the Multi-Unit Cooperative Societies Act, 1942 (6 of 1942) the Central Government hereby directs that the following amendment shall be made in the notification of the Government of India in the late Ministry of Community Development and Cooperation, (Department of Cooperation), No. S.O. 1593, dated the 28th June, 1961, published at page 1553 of Part II Section 3(ii) of the Gazette of India of the 8th July, 1961, namely:—

In the said notification against Serial No. 3 for the entry "Shri L. Dayal", the entry "Shri R. D. Pandey" shall be substituted.

[No. 3/17/62-CT.]

S. S. PURI, Dy. Secy.

**MINISTRY OF FOOD AND AGRICULTURE****(Department of Agriculture)***New Delhi, the 28th September 1962*

**S.O. 3056.**—In pursuance of clause (f) of section 3 of the Agricultural Produce (Grading and Marking) Act, 1937 (1 of 1937), and clause (i) of rule 4 of the General Grading and Marking Rules, 1937, the Central Government hereby fixes, with effect from the date of publication of this Notification, the undermentioned charges for Agmark labels to be affixed on the containers of Cardamom, namely:—

Rs. 1.81 nP. per case of 50 Kg. or part thereof of Cardamom graded under Agmark.

[No. F.20-3/59-AM(i).]

**S.O. 3057.**—In pursuance of clause (f) of section 3 of the Agricultural Produce (Grading and Marking) Act, 1937 (1 of 1937), and clause (i) of rule 4 of the General Grading and Marking Rules, 1937 the Central Government hereby fixes, with effect from the date of publication of this notification, the undermentioned charges for Agmark labels to be affixed on the containers of Black Pepper, namely:—

Rs. 0.45 nP. per bag of 60 Kg. or part thereof of Black Pepper graded under Agmark.

[No. F.20-3/59-AM(ii).]

**S.O. 3058.**—In pursuance of clause (f) of section 3 of the Agricultural Produce (Grading and Marking) Act, 1937 (1 of 1937), and clause (i) of rule 4 of the General Grading and Marking Rules, 1937, the Central Government hereby fixes, with effect from the date of publication of this Notification, the undermentioned charges for Agmark labels to be affixed on the containers of Chillies, namely:—

Rs. 0.50 nP. per bag of 25 Kg. or part thereof of Chillies graded under Agmark.

[No. F.20-3/59-AM(iii).]

V. S. NIGAM, Under Secy.

**(Department of Agriculture)****(I.C.A.R.)***New Delhi, the 26th September 1962*

**S.O. 3059.**—The Government of Maharashtra having nominated the Director of Agriculture Maharashtra, as a member of the Indian Central Oilseeds Committee to represent the State Government under Section 4(e) of the Indian Oilseeds Committee Act, 1946 (9 of 1946), the Central Government hereby notify that the said Director of Agriculture, shall be a member of the Committee for the period ending 31st March, 1964.

[No. 8-22/62-Com.II.]

N. K. DUTTA, Under Secy.

**MINISTRY OF TRANSPORT AND COMMUNICATIONS****(Department of Transport)****(Transport Wing)****PORTS***New Delhi, the 26th September 1962*

**S.O. 3060.**—In pursuance of sub-Section (2) of Section 6 of the Calcutta Port Act, 1890 (III of 1890), it is hereby notified that in accordance with the provisions of section 16 of the said Act, Rai Bahadur G. V. Swaika has been elected by the Oriental Chamber of Commerce, Calcutta, to be commissioner for the Port of Calcutta *vice* Khan Bahadur G. A. Dossani resigned.

[No. 9-PG(56)/62.]

HARBANS SINGH, Under Secy.

**(Department of Transport)****(Transport Wing)****MERCHANT SHIPPING***New Delhi, the 27th September 1962*

**S.O. 3061.**—In exercise of the powers conferred by sub-section (3) of section 11 of the Merchant Shipping Act, 1958 (44 of 1958), the Central Government hereby makes the following amendment in the notification of the Government of India in the Ministry of Transport and Communications, Department of Transport (Transport Wing) No. S.O. 3132, dated the 17th December, 1960, namely:—

In the Schedule to the said notification, the following entry shall be added at the end namely:—

"Kandla....Office of the Deputy Conservator, Kandla Port, Gandhidham."

[No. 3-ML(14)/62.]

J. V. DASS, Under Secy.

**MINISTRY OF RAILWAYS****(Railway Board)***New Delhi, the 28th September 1962*

**S.O. 3062.**—In exercise of the powers conferred by sub-section (1) of section 3 of the Terminal Tax on Railway Passengers Act, 1956 (69 of 1956), the Central Government hereby:—

(a) fixes the rates as mentioned in column II of the schedule annexed hereto at which terminal tax shall be levied in respect of every railway ticket on all passengers carried by Railway from or to the notified place specified in column I of the said schedule, and

(b) directs that the abovesaid terminal tax shall be leviable with effect from 1st October 1962.

## SCHEDULE

I Name of notified place	II Rates of terminal tax per single ticket			
	Adult		Child between 12 years of age	
	For short distance passengers 66 Kms. to 241 kms.	For long distance passengers 242 kms. & over	For short distance passengers 66 kms. to 241 kms.	For long distance passengers 242 kms. & over
Gola	Rs. nP.	Rs. nP.	Rs. nP.	Rs. nP.
Gokaran A/cs	0—40	0—50	0—20	0—25
Nath. I	0—30	0—40	0—15	0—20
II	0—15	0—25	0—08	0—13
III	0—10	0—15	0—05	0—08

*Explanation.*—The terminal tax on a return ticket shall be double the rates fixed herein.

[No F(X)II-61/TX-19/8-II.]

P. C. MATHEW, Secy.

## MINISTRY OF LABOUR &amp; EMPLOYMENT

New Delhi, the 26th September 1962

**S.O. 3063.**—The following draft of rules further to amend the Coal Mines Labour Welfare Fund Rules, 1949, which the Central Government proposes to make, in exercise of the powers conferred by section 10 of the Coal Mines Labour Welfare Fund Act, 1947 (32 of 1947), is published as required by sub-section (1) of the said section, for the information of all persons likely to be affected thereby, and notice is hereby given that the said draft will be taken into consideration on or after the 31st December, 1962.

Any objection or suggestion which may be received from any person with respect to the said draft before the date so specified will be considered by the Central Government

## DRAFT RULES

1. These rules may be called the Coal Mines Labour Welfare Fund (Amendment) Rules, 1962.

2. In the Coal Mines Labour Welfare Fund Rules, 1949 (hereinafter referred to as the said rules), in rule 9,

(1) in sub-rule (b), for the words and figures, "12 pies per mile", the words and figures, "four naye paise per kilometre" shall be substituted,

(2) in sub-rule (c),

(i) for the words, "milleage", the words, "road allowance" shall be substituted.

(ii) for the expression, "75 miles" wherever it occurs, the expression, "120 Kilometres" shall be substituted.

3. In rule 28 of the said rules, for the word, "ton", the word, "tonne" shall be substituted.

4. In sub-rule (2) of rule 30 of the said rules, the second proviso shall be omitted.

5. In the first proviso to sub-rule (3) of rule 31-A of the said rules, for the words, "twelve feet by ten feet", the words and figures, "3.7 metres by 3.1 metres", shall be substituted.

6. In sub-rule (1) of rule 32 of the said rules, for the words, "tonnage" and "ton", wherever they occur, the words "tonnage" and "tonne" shall respectively be substituted.



7. In the Schedule annexed to the said Rules—(1) for part I relating to the standard of building, the following part shall be substituted, namely:—

*I. Building*

1. Dispensary catering for 1,000 workers or less—

Three rooms to be used as follows:—

- |                                 |             |
|---------------------------------|-------------|
| (i) Consulting room             | 4.3m × 3.7m |
| (ii) Dressing room              | 4.3 × 3.7m  |
| (iii) Dispensary and Store room | 4.3m × 3.7m |

Covered waiting accommodation. 13 to 14 Sq. metres.

Two latrines (flush type) each 1.5 m × 2.4 m.

2. Dispensary catering for 1,001 to 2,000 workers—

Six rooms to be used as follows:

- |                                  |                         |
|----------------------------------|-------------------------|
| (i) Consulting room for males    | 4.3m × 3.7m             |
| (ii) Consulting room for females | 4.3m × 3.7m             |
| (iii) Minor Operation Room       | 4.3m × 3.7m             |
| (iv) Dispensary room             | 4.3m × 3.7m             |
| (v) Laboratory room              | 14 to 16 square metres. |
| (vi) Store room                  | 4.3m × 3.7m             |

Covered waiting accommodation 19 square metres.

Two latrines (flush type) each 1.5 m. x 2.4 m.

3. Dispensary catering for 2,001 to 3,000 workers—

Nine rooms to be used as follows:

- |  |                        |
|--|------------------------|
| (i) Consulting room for males              | 4.3m × 3.7m            |
| (ii) Consulting room for females           | 4.3m × 3.7m            |
| (iii) Minor Operation room                 | 4.3m × 3.7m            |
| (iv) Dispensary room                       | 4.3m × 3.7m            |
| (v) Laboratory room                        | 14 to 16 square metres |
| (vi) Dressing room                         | 3.7m × 3.0m            |
| (vii) Dark room                            | 3.0m × 3.0m            |
| (viii) Registration and Office record room | 14 square metres.      |
| (ix) Store room                            | 4.3 m × 3.7            |
| Covered waiting accommodation              | 25 square metres       |
| Three latrines (flush type) each           | 1.5m × 2.4m            |

4. Dispensary catering for 3,001 to 5,000 workers—

Twelve rooms to be used as follows:

- |  |                         |
|--|-------------------------|
| (i) Consulting room for males            | 4.3 × 3.7m              |
| (ii) Consulting room for females         | 4.3m × 3.7m             |
| (iii) Minor Operation room               | 4.3m × 3.7m             |
| (iv) Laboratory room                     | 18 to 19 square metres  |
| (v) Dispensary room                      | 4.3m × 3.7m             |
| (vi) Dressing room                       | 3.7m × 3.0m             |
| (vii) Dark room                          | 3.0m × 3.0m             |
| (viii) Douche room                       | 3.0m × 3.0m             |
| (ix) Registration and Office record room | 18 to 19 square metres. |
| (x) Store room                           | 4.3m × 3.7m             |
| (xi) Nurses duty room                    | 11 to 14 square metres  |
| (xii) Bath room                          | 1.8m × 2.4m             |
| Covered waiting accommodation            | 35 to 36 square metres  |
| Four latrines (flush type) each          | 1.5m × 2.4m             |

## 5. Dispensary for over 5,000 workers—

Thirteen rooms to be used as follows:

(i) Consulting room for males . . . . .	4'3m×3'7m
(ii) Consulting room for females . . . . .	4'3m×3'7m
(iii) Minor Operation room . . . . .	4'3m×3'7m
(iv) Dispensary room . . . . .	4'3m×3'7m
(v) Laboratory room . . . . .	23 to 28 square metres.
(vi) Dressing room . . . . .	3'7m×3'0m
(vii) Dark room . . . . .	3m×3m
(viii) Douche room . . . . .	3m×3m
(ix) X-Ray Plant room . . . . .	4'3m×3'7m
(x) Registration and record office room . . . . .	23 sq. metres
(xi) Store room . . . . .	4'3m×3'7m
(xii) Nurses duty room . . . . .	11'14 sq. metres to
(xiii) Bath room . . . . .	1'8m×2'4m
Covered waiting accommodation . . . . .	63 sq. metres
Six latrines (flush type) each . . . . .	1'5m×2'4m

Each dispensary should provide emergency beds for treatment of simple and emergency cases at the rate of one bed for every 250 workers subject to a minimum of two beds, one for males and one for females. For this purpose separate rooms shall be provided for males and females. The rooms shall have air space of 170 cubic metres per bed and door and window space not less than one third of the floor space with verandah 2'1 metres wide along the front of the rooms.

Collieries which have no provision of emergency beds on the lines mentioned above at their dispensaries will be allowed time upto three years from the date the standards are enforced. Those collieries which fail to provide emergency beds in three years' time shall not be entitled to any subsidy thereafter even if they are otherwise qualified for it.

(2) for part III-B, relating to Dressings, the following part shall be substituted, namely:—

*B. Dressings.*

	Number below 250 workers	251-1000 workers
1. Bandage roller 150 mm . . . . .	6	6
2. Bandage roller 100m . . . . .	6	6
3. Bandage roller 75 mm . . . . .	6	6
4. Bandages Triangular . . . . .	6	6
5. Cotton wool . . . . .	450g	450g
6. Gauge 915 mm each . . . . .	6	12
7. Lint . . . . .	120g	120g
8. Plaster of Paris bandages 100 mm . . . . .	..	6
9. Plaster of Paris bandages 75 mm . . . . .	..	6
10. Strapping adhesive 12 roller . . . . .	1	1
11. Strapping adhesive 2 roller . . . . .	1	1
12. Strapping adhesive 3 roller . . . . .	1	1

(3) for Part III C, relating to Medical and Surgical equipments—

- in item 1, for the expression, '14"', the expression, "355 mm" shall be substituted,
- in item 2, for the expression, '1'4"', the expression, "35 mm" shall be substituted.
- in item 3, for the expression, '1'8"', the expression, "45 mm" shall be substituted,

- (d) in item 49, for the expression, "2 yards", the expression, "183 centimetres" shall be substituted.
- (4) in part III-D relating to other dispensary equipment,
- (a) in item 7, for the expression, "4 Oz.", the expression, "120 g." shall be substituted;
- (b) in item 12, for the expression, "8 Oz.", the expression, "230 g." shall be substituted;
- (c) in item 13, for the expression, "2 Oz.", the expression, "60 g." shall be substituted;
- (d) in item 23, for the expression, "½ Oz.", the expression, "15 g." shall be substituted.
8. In Forms 'D', 'G' and 'H-I' annexed to the said Rules, for the words, "ton" and "tons", wherever they occur, the word, "tonne" shall be substituted.

[No. 1/2/62-MII.]

R. C. SAKSENA, Under Secy.

*New Delhi, the 26th September 1962*

**S.O. 3064.**—In exercise of the powers conferred by section 11 of the Indian Dock Labourers Act, 1934, (19 of 1934), the Central Government hereby exempts for a period of three years all the vessels classified with the American Bureau of Shipping on which construction began before August, 1952 and which are on the first visit to India after the date of publication of this notification, from the provisions of clause (b) of sub-regulation (1) of regulation 29 of the Indian Dock Labourers Regulations, 1948, in respect of loose gear, such as chains, rings; hooks; shackles swivels or pulley-blocks being the gear accessory to the lifting machinery on board the vessels provided at the time of their construction, subject to the conditions specified below, namely:—

- (1) that the loose gear is of one or more of the classes of gear specified in regulation 28 of the said Regulations, or is not required to be annealed as required by sub-regulation (2) of regulation 29 of the said Regulations;
- (2) that the lifting machinery on board the vessels shall have been tested and examined as required by clause (b) of sub-regulation (1) of regulation 27 of the said Regulations.
- (3) that all articles of loose gear which have been replaced since the construction of the vessel shall have been tested and examined as required by clause (b) sub-regulation (1) of regulation 29 of the said Regulations.

[No. 532/24/62/FAC.]

*New Delhi, the 27th September 1962*

**S.O. 3065.**—In exercise of the powers conferred by sub-section (1) of section 4 of the Dock Workers (Regulation of Employment) Act, 1948 (9 of 1948), the Central Government hereby makes the following Scheme further to amend the Calcutta Dock Workers (Regulation of Employment) Scheme, 1956, the same having been previously published as required by the said sub-section, namely:—

This Scheme may be called the Calcutta Dock Workers (Regulation of Employment) Amendment Scheme, 1962.

2. In the Calcutta Dock Workers (Regulation of Employment) Scheme, 1956—

- (1) the last sentence of sub-clause (2)(b)(i) of clause 15 shall be omitted.
- (2) for sub-clause (1) of clause 30, the following sub-clause shall be substituted namely:—

"(1) Casual vacancies in the Monthly Gang shall be filled up in accordance with the following rules:—

- (i) where a Sardar is absent, the vacancy shall be filled up, in the following order, by:—

- (a) the seniormost amongst Sardars of unbooked monthly gangs belonging to the same employer or group of employers;

- (b) failing (a), the mate of the gang in which the vacancy has occurred,
  - (c) failing (b), the seniormost among mates of unbooked monthly gangs belonging to the same employer or group of employers;
  - (d) failing (c), the seniormost senior Mazdoor in the gang in which the vacancy has occurred
- (ii) Where a mate is absent, the vacancy shall be filled up, in the following order by —
- (a) The seniormost amongst mates of unbooked monthly gangs,
  - (b) failing (a), the seniormost of senior Mazdoors of the gang in which the vacancy has occurred and where such senior mazdoor is officiating as Sardar under rule (i), the next seniormost person in the gang;
- (iii) Vacancies of senior and junior stevedore Mazdoor shall be filled in the order of seniority from the registered Senior and Junior Mazdoors respectively of gangs belonging to the same employer or group of employers. If no such workers are available or if there is insufficiency of such workers, the vacancies shall be filled from amongst leave reserve workers

[No 522(4)/61-Fac ]

**S.O. 3066.**—The following draft of a scheme further to amend the Calcutta Unregistered Dock Workers (Regulation of Employment) Scheme, 1957, which the Central Government proposes to make in exercise of the powers conferred by sub-section (1) of section 4 of the Dock Workers (Regulation of Employment) Act, 1948 (9 of 1948), is published as required by the said sub-section for the information of all persons likely to be affected thereby, and notice is hereby given that the said draft will be taken into consideration on or after the 31st October, 1962.

Any objections or suggestions which may be received from any person with respect to the said draft before the date so specified will be taken into consideration by the Central Government

#### *Draft Scheme*

1 This Scheme may be called the Calcutta Unregistered Dock Workers (Regulation of Employment) Amendment Scheme, 1962

2 In the Calcutta Unregistered Dock Workers (Regulation of Employment) Scheme, 1957, hereinafter referred to as the said Scheme, after sub-clause (5) of clause 8, the following sub-clause shall be inserted, namely —

- “(6) The Board may, be subject to such conditions as it may prescribed in this behalf, permit persons listed under sub-clause (2) or sub-clause (3) to form one or more groups and each group so formed shall be treated as one employer only for employment of monthly workers

Provided that the Board shall have power to make such alterations or modifications in the conditions prescribed, as it may deem necessary from time to time”

3 In the said Scheme, after clause 9-B, the following clause shall be inserted, namely —

“9-C *Transfer of workers.*—The Chairman or the Deputy Chairman may, for sufficient and valid reasons, allow—

- (i) the transfer of a listed worker in a pool as a monthly worker on a request in writing of the employer or the worker, explaining fully the reasons for the transfer provided that such transfer shall be subject to the fulfilment of any contract subsisting between the listed worker in the pool and his employer regarding termination of employment. No transfer shall take place without the approval of the Chairman or the Deputy Chairman. The name of the workers so transferred shall be omitted from the list of listed workers;
- (ii) the transfer of a monthly worker to the pool of listed worker on a request in writing of the employer or the worker explaining fully the reasons for the transfer provided that such transfer shall be subject to the fulfilment of any contract subsisting between the monthly worker and his employer regarding termination of employment. No

transfer shall take place without prior approval of the Chairman or the Deputy Chairman. The name of the worker so transferred shall be included in the list of listed workers

- (2) If the services of a monthly worker are terminated by an employer for an act of indiscipline or misconduct, he may apply to the Board for listing him in the pool of workers. The Deputy Chairman shall then decide, on behalf of the Board, on the merits of the case whether or not the worker should be listed in a pool and if so whether in the same category in which he was classified before the termination of his employment or in a different category or sub-category as the case may be."

[No 529/21/61-Fac]

**S.O 3067.**—The following draft of a scheme further to amend the Madras Dock Workers (Regulation of Employment) Scheme 1956, which the Central Government proposes to make in exercise of the powers conferred by sub-section (1) of section 4 of the Dock Workers (Regulation of Employment) Act, 1948 (9 of 1948), is published as required by the said sub-section for the information of all persons likely to be affected thereby, and notice is hereby given that the said draft will be taken into consideration on or after the 30th October, 1962

Any objections or suggestions which may be received from any person with respect to the said draft before the date so specified will be taken into consideration by the Central Government

#### *Draft Scheme*

1 This Scheme may be called the Madras Dock Workers (Regulation of Employment) Amendment Scheme 1962

2 In the Madras Dock Workers (Regulation of Employment) Scheme 1956, in sub-clause (2) of clause 7, the following words shall be inserted at the end, namely —

"nor prevent the incurring of expenditure on welfare measures, if any, for the staff of the Board"

[No. 525/3/62-Fac]

BALWANT SINGH, Under Secy

*New Delhi, the 27th September 1962*

**S O 3068.**—In pursuance of section 17 of the Industrial Disputes Act, 1947 (14 of 1947), the Central Government hereby publishes the following award of the Industrial Tribunal, Andhra Pradesh, Hyderabad, in the industrial dispute between the employers in relation to the Singareni Collieries Company Ltd, Kothagudum and their workmen

**BEFORE THE HON'BLE INDUSTRIAL TRIBUNAL, ANDHRA PRADESH, HYDERABAD**

PRESENT

Dr Mir Siadat Ali Khan, M.A., LL.B. Fazel (Osm), B.C.L. (Oxon), D.Phil. (Oxon), Bar-at-Law, Lincoln's Inn (London), Chairman, Industrial Tribunal, Andhra Pradesh, Hyderabad.

INDUSTRIAL DISPUTE No. 13 OF 1961

**BETWEEN**

Workmen of 'Singareni Collieries Company Ltd, Kothagudum.

**AND**

Employers of Singareni Collieries Company Ltd, Kothagudum

**APPEARANCES**

Mr S Narayana Reddy—for workmen, and

Mr T Govardhanarao—for employers.

**AWARD**

The workmen of Singareni Collieries Co. Ltd, Kothagudum, raised an industrial dispute over the emoluments of two workmen K Subbarao and Mehboob Khan,

and the same was referred for adjudication by the Government of India, Ministry of Labour and Employment, by letter No. 2/161/61 LR.II, dated 31st October 1961, with the following issue framed:

"Taking into consideration the duties actually performed by Sarvashri Kusuma Subbarao and Mehboob Khan of Venkatesh Khani, No. 7, incline, of Singherani Collieries Co., Ltd., whether they should be placed and confirmed in the scale of Rs. 48—3—54—4—70—EB—5—100 as junior chargehands and if so from what date?"

2. The dispute was registered as Industrial dispute No. 13 of 1961. The workmen examined 3 witnesses and the employer 2. They filed several documents also and arguments began on 10th August, 1962, and after an adjournment, were concluded on 27th August, 1962. I proceed to pass the award.

3. The employer's representative, Sri Govardhanarao, contended that these two workmen K. Subbarao and Mehboob Khan were appointed as cablemen; later on, there were made machine mining operators at incline No. 4. Even so they worked as fitters in the belt section in incline No. 4. And when the machine mining stopped in incline No. 4, they were transferred to incline No. 7. There also, though their designation remained machine mining operators, they were really fitters, with category VII½ wages. Thus, he has maintained that these two workmen are really fitters of category VII½ wages, though they were designated as Machine mining operators. Next, he maintained that neither in the Coal award, nor, in the Singherani Collieries Wage Schedule, Ex. M-15, there is any such designation as junior chargehand. There are junior mechanical and electrical chargehands in the Mechanical and Electrical sections, but, there is no such designation as Junior Chargehand in the Collieries. He contended also that Ex. M-6 dated 3rd February 1961 is a tradesman agreement reached between the employer and the workmen and both the workmen under consideration are covered by that agreement. Under it, they are Grade I fitters. He has referred to page 71, paragraph 648, sub-paragraph (4) of the Coal award, where it is specified that by definition the term tradesmen include in its significance the term fitters and by the job description 251, Grade I fitters are those fitters who are capable of inspecting colliery machinery. Thus, not only under Ex. M-6 considered with paragraph 648 of the Coal award, they are fitters, but they were held to be fitters in an award previous to the Coal award. He promised to file the said previous award but failed to do so. Regarding Ex. M-9/2 in which on a petition of K. Subbarao and Mehboob Khan their wages were increased from O.S. Rs. 3-00 to O.S. Rs. 3-50 nPs. he contended that because of this rise in the wages and because of the workmen having styled themselves as Assistant Chargehands in it the workmen understood that they have been made Assistant Chargehands; but that was not so. The enhanced wages were the wages of machine mining operators, or, the increase was in the wages of machine mining operators. He conceded that in the Pay sheets the designation of the two workmen as Assistant chargehand also crept in, but, stated that it was a big error committed by the Establishment of the Collieries. However, the mistake was corrected, as will be seen from Exs. M-8 and 10 and their correct designation Machine mining operators was restored. He contended also that WW-2, Sri Guru Pershad, Junior mechanical chargehand in the mining section, has agreed that there is a fitter under every chargehand and he has also agreed that there is no fitter under him. Obviously, this statement is wrong for the reason that Subbarao and Mehboob Khan were fitters under him. He referred also to WW-2's statement that except for these two persons K. Subbarao and Mehboob Khan there is no assistant chargehand or junior chargehand in the entire mine of Singherani Collieries with 2,500 workers. He has, therefore, concluded that both of them are fitters under the Chargehand Guru Pershad.

4. I have considered the contentions of the representative of the employer carefully, and I feel that they do not hold water. In all his contentions he did not rebut or met the unequivocal depositions of Mehboob Khan, Karimsahib and Guru Pershad himself that, even though these two workmen were first appointed in 1949 as cablemen and were trained for machine mining along with Guru Pershad, they did not work as machine mining operators any time after 1952 till 1958 or even till to date; and that all these years from 1952? they have been working as Assistants to the Chargehand, viz., Guru Pershad, whether it was in incline No. 4 or in incline No. 7. It is the categorical statement of Guru Pershad, the chargehand in incline No. 7 that machine mining started in incline No. 4, but there

also even before it was stopped, he, K. Subbarao and Mehboob Khan worked as Chargehand and assistant chargehands only. Similarly, after the transfer of all three of them to incline No. 7, Subbarao and Mehboob Khan worked as assistants to him. They did not, for a day, worked as machine mining operators. Guru Pershad has described the various operations involved in machine lifting, viz., belt driving, driving of loading machines, coal cutting and so on, and stated categorically that these two men never did that work, and, that on the other hand they supervised work of two shifts out of the 3 shifts in incline No. 7. They were specifically sent to him to incline No. 7 to assist him in the shifts with the designation Assistant chargehand. In the first shift, there was Karimsahib till two months ago. Karimsahib wages were Rs. 5.06 a day and, therefore, he was a mechanic, but, worked as assistant to him in-charge of a shift. These two men rotated with Karimsahib and did actually the same duties as he did viz., the supervising of mines in the shift; they distributed work to the workmen under him and inspected the mines everyday in their shifts. They attended to minor breakdowns and, if the breakdowns were major they reported to him and the engineer who was in-charge of the entire mine. In these statements, he was fully corroborated by Mehboob Khan and Karimsahib. As already stated, Sri Govardhanarao, did not rebut any of these statements by the 3 witnesses of the workmen who were not shaken in cross-examination. On the other hand, the Assistant Engineer, MW-1, who was adduced after the workmen witnesses with the intent to rebut them, did not, in fact, say anything which can be taken as rebuttal of the workmen's depositions. In fact, he was shaken in cross-examination. It may kindly be noted that as already stated above, belt driving is also one of the operations of machine mining. On page 3 of his deposition at place marked X towards the end of the page, MW-1 has admitted that K. Subbarao and Mehboob Khan were not doing the duties of belt drivers. On the other hand, on page 2, in examination-in-chief, at place marked 'B', he has admitted that the duties of Mehboob Khan and Subbarao was maintenance of the shifts. They attend to breakdowns of belt conveyors and do the normal maintenance of belt in various sections. It should be noted that if they had been fitters they could not have maintained the entire shift. Again, on page 4, at place marked 'X', even though he stated that both of them are really belt fitters, yet, a few lines before, he has stated that 'I have already stated that Mehboob Khan and K. Subbarao were not working as belt fitters'. He has even stated in the last sentence of cross-examination that their designation is belt operators, but, they are doing belt fitter's work. In this way, he has been shaken obviously in cross-examination and, therefore, not only he has not rebutted the evidence of the workmen witnesses, but, has corroborated them by admitting that they are maintaining the shifts and were not working either as operators, or, as fitters.

5. Even the record of the case does not rebut the workmen's depositions. Ex. M-15 is the Wage Schedule of the Collieries. On page 12, machine mining section is described. Workmen of 10 designations like mechanics, operators, belt men, etc., are described there. But, there is no mention of any fitter in all these 10 categories of workmen. That will show, that if they had been fitters they would have been specified in the Wage Schedule Ex. M-15, as fitters.

5.1. Reliance was placed on Ex. M-6 and it was contended that it was a tradesmen agreement: and that as the Coal award has defined tradesmen to include fitters, they are, therefore, covered by the agreement and are fitters. This contention is obviously incorrect because in all the several pages of Ex. M-6 there is no mention of these two workmen either in Category VII, or, in Category VIII. However, it was contended that Ex. M-16 dated 21st June, 1960, is a letter addressed by the General Manager to the manager of incline No. 7 in which they are shown as fitters carrying the Category VII½ wages. Evidently, as it is a correspondence between two officers of the Management, it is not a settlement with the workmen. As such it is devoid of any weight. The settlement is Ex-M6. It is dated 3rd February, 1961. It should be noted that the settlement Ex. M-6 was entered into after the correspondence Ex. M-16. In other words, Ex. M-6 is posterior to Ex. M-16. Had the management been sue of its case that the two workmen were fitters only, they should have mentioned it to the workmen and got it entered into the settlement Ex. M-6. They did not do so. Not only a perusal of Ex. M-6 which is signed as a settlement by both the parties shows that there is no mention in it of the Category VII½ wages, but, the Management own witness MW-1, an Engineer, on page 4 of his deposition has unequivocally stated that the agreement M-6 does not cover the two workmen. Moreover, in Appendix V of the settlement Ex. M-6 in Category VIII, no fitter is shown. Similarly, in category VIII also, there is no fitter, nor, any intermediary category of VII½ is specified therein. It is, therefore, obvious that if the tradesmen agreement had covered them they would have been shown either in category

VIII or in category VII or, in their actual category VII½. They are not shown so. On page 9 of Ex. M-6, similar specification is there and there is no mention of the two workmen either in category VII or, in VII½ or in their intermediary category VII½. Thus, the documentary evidence filed by the employer himself, will show that the allegation that they are fitters is not true, and cannot be accepted as correct. I have already said more than once above, that the fact that from 1952 they have been continuously working as Assistant Chargehands in the mining section at incline No. 4 and incline No. 7, is not rebutted by any evidence adduced by the employer. The fact appears to be and is also deposed to by WW-2, Guru Pershad and other witnesses that the machine mining is a separate section, having its own peculiarities. There are in the mechanical and electrical sections fitters under a chargehand. But, there are no fitters in the machine mining section. According to Guru Pershad, in that section there are no fitters, but, instead, there are Assistant chargehands and these two are Mehboob Khan and K. Subbarao and also Sri Karimsahib till two months ago. Karimsahib has been transferred from there and about 2 months ago, from 27th August 1962, in his place, one Abdullah has been sent. He is a fitter. Sri Narayana Reddy, the representative of the workmen, therefore, contended with force, that as this was done after the reference and during the pendency of adjudication it was really meant to show that Mehboob Khan and K. Subbarao were also fitters. There is no rebuttal also of the statement of Guru Pershad that he is a chargehand and there are no fitters under him, but that in the machine mining section the belt drivers are trained as fitters and they do work in three shifts along with one fitter who works in the general shift. He was asked whether in any of the 25,000 workmen of the collieries, he has ever heard that chargehand rotates himself. He said, a chargehand does not rotate, but, he works in the general shift. With reference to K. Subbarao and Mehboob Khan the question was without any meaning as it is not claimed that Mehboob Khan and K. Subbarao are chargehands. The claim was only that they were Assistant Chargehands. But, it appears that the question referred to Karimsahib. He was designated as a mechanic and also as a Chargehand. But even so, the question had no meaning. For, admittedly, he rotated with K. Subbarao and Mehboob Khan. And Sri Govardhanarao had argued tirelessly that the employer was in search of a suitable place for him and sent him to incline No. 7 as an interim measure. WW-2, Guru Pershad was asked also whether he has ever heard that Assistant Chargehands rotated anywhere in the collieries mines with its 25,000 workmen. The reply was 'no', but, that they rotated in incline 7, and these persons are K. Subbarao and Mehboob Khan. He has also deposed that machine mining has stopped except for some minor operations like belt driving and that K. Subbarao and Mehboob Khan did not do the belt driving, nor, they have done it at any time from 1952 till today. All these years, according to him, they have been doing the work of Assistant Chargehands and rotating in shifts along with Karimsahib till about 2 months ago when in place of Karimsahib, a fitter, Abdullah, has been sent.

6. The above analysis of the record will show that it is proved that K. Subbarao and Mehboob Khan have been working as Assistant Chargehands. This designation was conferred upon them in several documents filed by the employer himself and also in Exs. W-4 to 6 and Ex. W-10. The question is whether they can be given the grade of Rs. 48—100 which they are claiming. The contention of Sri Goverdhanarao, the representative of the employer is that there is no such grade in the Coal award. That appears to be so, but, he has himself stated in argument that the grade of Rs. 45 to Rs. 95 was revised by the employer to Rs. 45 to Rs. 100. As K. Subbarao and Mehboob Khan have been, all these years from 1952 working with Karimsahib who was given the grade of Rs. 115 they could have claimed that grade. But, as Karimsahib was senior to them and more qualified, the workmen have limited their demand to the grade of Rs. 48—100. As the company has, in several cases, varied the grades prescribed by the Coal award, this grade of Rs. 48—100 was also revised from Rs. 48—93. These workmen may be given that grade and confirmed in it. I as Industrial Tribunal has the power of making contract for the parties, and I direct it to be so. The authority for this is the Federal Court case of Western India Automobile Association, v. Industrial Tribunal, Bombay, 1949 LLJ 245 at 256. There it was held as follows:—

“industrial adjudication may involve the extension of an existing agreement or the making of a new one.”

The date of the start of the grade should be January, 1952. I have awarded K. Subbarao and Mehboob Khan the grade of Rs. 48—100 and have also directed



that they should be confirmed in it. I have done so after taking into consideration the opinion of MW-1, an Assistant Engineer that on merit these persons do not deserve the said grade. I regret that I have not agreed with the Assistant Engineer's opinion. The reasons for the same are: that nowhere in the counter even a whisper was made about their work being unsatisfactory. I have preferred the opinion of Guru Pershad, an experienced chargehand, under whom these two workmen have worked continuously from before 1952 at incline No. 4 and in incline No. 7 also. He has stated that their work was satisfactory. MW-1 has also stated that K. Subbarao and Mehboob Khan were really fitters and if they are given that grade all the other fitters, and some even senior to them, will also claim the same grade. This opinion also, I do not endorse, for, I have stated at length above that they were not fitters. Hence, considering the actual duties they have performed, viz., those of Assistant Chargehand in a category by itself, they have merited the rise to the grade of Rs. 48-100. In view of these facts, other fitters cannot claim the same grade as they have not performed for all these 10 years, or more, the duties of Assistant Chargehands. As the workmen have incurred expenses in coming over here, I award them Rs. 100 as costs.

Report accordingly this 15th day of September, 1962.

Sd./- M. S. ALI KHAN,

Industrial Tribunal.

#### LIST OF WITNESSES EXAMINED BY BOTH PARTIES

##### By workmen:

1. WW-1—Mehboob Khan.
2. WW-2 Guru Pershad.
3. WW-3—Karimsahib.

##### By employers

1. MW-1—S. D. Sham Dasa.
2. MW-2—M. V. R. Krishnarao.

#### LIST OF DOCUMENTS EXHIBITED

##### By workmen:

1. Ex. W-1—Appointment letter of Mehboob Khan, dated 11th February 1958.
2. Ex. W-2—Minutes of the Conciliation meeting held by the Labour Inspector (Central) on 30th June 1961, at Kothagudium.
3. Ex. W-3—Acting allowance chit for week ending 14th October 1961 of Sharfuddin, Assistant Fitter.
4. Ex. W-4—Chargesheet framed against K. Subbarao, dated 19th August 1956.
5. Ex. W-5—Chargesheet framed against Mehboob Khan, dated 9th April 1956.
6. Ex. W-6—Leave memo. given to K. Subbarao, dated 7th February 1955.
7. Ex. W-7—Leave memo. given to K. Subbarao, dated 28th August 1955.
8. Ex. W-8—Leave memo. given to K. Subbarao, dated 4th May 1954.
9. Ex. W-9—Leave memo. given to K. Subbarao, dated 23rd May 1957.
10. Ex. W-10—Leave memo. given to K. Subbarao, dated 22nd March 1958.
11. Ex. W-11—Appointment letter of Karimsahib as chargehand, dated 22nd February 1956.
12. Ex. W-12—Appointment letter of Karimsahib as chargehand, dated 8th January 1955.

##### By employers:

1. Ex. M-1/1 to Ex. M-1/6—Six registers showing the persons employed above ground during a number of weeks.

- 2 Ex M-2—Pay sheets of the Daily rated workers of the Collieries for the week ending 23rd July 1960
- 3 Ex M-3—Acting allowance chit of Mehboob Khan, dated 23rd January 1962.
- 4 Ex M-4—Letter No N4/352, dated 16th April 1958 of the 4 incline Manager.
- 5 Ex M-5—Register containing forms of appointment of competent persons.
- 6 Ex M-6—Memorandum of settlement arrived at during the conciliation proceedings held on 3rd February 1961.
- 7 Ex M-7/1 and Ex M-7/2—Pay sheets of daily rated workers for the week ending 14th January 1956 and for the week ending 22nd December 1956.
- 8 Ex M-8—Letter No M/4/1413, dated 2nd August 1957 of the Manager of 4 incline addressed to the Deputy General Manager (Jr).
- 9 Ex M-9/1, Ex M-9/2 and Ex M-9/3—Applications of Mehboob Khan, K Subbarao and Jedala Vithal requesting transfer.
- 10 Ex B-10—Letter P 2167, dated 5th November, 1957 of Deputy General Manager (Jr), addressed to Manager, 4 incline, regarding the fixing wages of K Subbarao and Mehboob Khan
- 11 Ex M 11—Letter No INC/5/1232, dated 8th August 1960 of the Manager of No 5 incline, addressed to General Manager of the Collieries
- 12 Ex M-12—Letter No 41(54)/60, dated 27th June 1960 of the President, Andhra Pradesh Coal Mines Workers' Federation, Kothagudium, addressed to the General Manager, regarding confirmation of Mehboob Khan and K Subbarao as Assistant Chargehands
- 13 Ex M 13—Letter No VK/W/157, dated 15th July 1960 of the Manager of 7 incline addressed to the General Manager of the Collieries
- 14 Ex M-14—A note of the Conciliation Officer (Central), bearing No S 54(58)/60, dated nil
- 15 Ex M-15—Wage Schedule of the Collieries.
- 16 Ex M-16—Letter No F2/169, dated 21st June 1960, of the Manager (series) of 7 incline, addressed to the General Manager of the Collieries
- 17 Ex M-17—Award of Sri Das Gupta (book), dated 30th December 1959.
- 18 Ex M 18—Affidavit of Sri L R Sharma, filed in the matter of the order of reference No SRO 472, dated 25th February, 1955 before the All India Industrial Tribunal, with its enclosures
- 19 Ex M-19—Award of the All India Industrial Tribunal, Volumes I and II—one book

[No 2/161/61-LRII.]

### ORDERS

*New Delhi, the 26th September 1962*

**S.O 3069**—Whereas the Central Government is of opinion that an industrial dispute exists between the employers in relation to the Madhujore Colliery, Post Office Kajoragram, District Burdwan, West Bengal and their workmen in respect of the matters specified in the Schedule hereto annexed;

And whereas the Central Government considers it desirable to refer the said dispute for adjudication;

Now therefore, in exercise of the powers conferred by clause (d) of sub section (1) of section 10 of the Industrial Disputes Act, 1947 (14 of 1947), the Central

Government hereby refers the said dispute for adjudication to the Industrial Tribunal, Calcutta, constituted under section 7A of the said Act.

#### SCHEDULE

Whether the dismissal of Shri Raffique Mea, Night Guard of Madhujore Colliery Post Office Kajoragram, Burdwan was justified and, if not, to what relief is he entitled?

[No. 2/49/62-LRII.]

**S.O. 3070.**—Whereas the Central Government is of opinion that an industrial dispute exists between the employers in relation to the Bansdeopur Colliery, P.O. Kusunda (Dhanbad) and their workmen in respect of the matters specified in the Schedule hereto annexed;

And whereas the Central Government considers it desirable to refer the said dispute for adjudication;

Now, therefore, in exercise of the powers conferred by clause (d) of sub-section (1) of section 10 of the Industrial Disputes Act, 1947 (14 of 1947), the Central Government hereby refers the said dispute for adjudication to the Industrial Tribunal, Dhanbad, constituted under section 7A of the said Act.

#### SCHEDULE

1. Whether any notice under section 9A of the Industrial Disputes Act, 1947, was given by the employer to the workmen named in the Table below.
2. Whether the alternative jobs which were offered respectively to the male and the female workmen were suitable alternative jobs. Whether the workmen concerned were justified in refusing to accept the alternative jobs offered to them.
3. Whether the action of the employer amounted to the retrenchment or lay off or transfer of the workmen concerned.
4. What amount, if any, are the workmen concerned entitled to get as compensation for the alleged retrenchment or lay off, as the case may be?
5. What other relief, if any, are the workmen entitled to?

#### TABLE

<i>Males</i>	<i>Females</i>
1. Hari Nunia	1. Fuleswari Nuniyain
2. Somar Nunia	2. Jethani Bhuini
3. Jagdish Bhuia	3. Fulbasia Bhuini
4. Bonshi Bhuia	4. Amina Miaia
5. Baldeo Bhuia	5. Koushalya Bhuini
6. Ramnandar, Nunia	6. Jitani Bhuini
7. Ramjit Bhuian	7. Parbatia Nuniyain
8. Jawahir Nunia	8. Kamadawa Nuniyain
9. Rupdhari Nunia	9. Somari Nuniyain
10. Chander Nunia	10. Pachia Nuniyain
11. Karamdeo Nunia	11. B. Etwari Nuniyain
12. Lala Nunia	
13. Nira Nunia.	

[No. 2/94/62-LRII.]

**S.O. 3071.**—Whereas the Central Government is of opinion that an industrial dispute exists between the employers in relation to the Madarapur Colliery and their workmen in respect of the matters specified in the Schedule hereto annexed;

And whereas the Central Government considers it desirable to refer the said dispute for adjudication;

Now, therefore, in exercise of the powers conferred by clause (d) of sub-section (1) of section 10 of the Industrial Disputes Act, 1947 (14 of 1947), the Central Government hereby refers the said dispute for adjudication to the Industrial Tribunal, Dhanbad, constituted under section 7A of the said Act.

## SCHEDULE

Whether the termination of the services of Shri Sova Singh Kosta, Mining Sirdar, Madanpur Colliery, P.O. Andar (Burdwan) was justified and if not, to what relief is he entitled to?"

[No. 2/83/62-LR.II.]

*New Delhi, the 26th September, 1962.*

**S.O. 3072.**—Whereas the employers in relation to the Bhelatand Colliery, Post Office Sijua, Dhanbad District, and their workmen, represented by the Colliery Mazdoor Sangh, Katras Road, Dhanbad have jointly applied to the Central Government for reference to a Tribunal of an industrial dispute in respect of the matters set forth in the said application reproduced in the Schedule hereto annexed;

And whereas the Central Government is satisfied that the said employees' union represents a majority of the workmen;

Now, therefore, in exercise of the powers conferred by sub-section (2) of section 10 of the Industrial Disputes Act, 1947 (14 of 1947), the Central Government hereby refers the said dispute for adjudication to the Industrial Tribunal, Dhanbad, constituted under section 7-A, of the said Act.

## SCHEDULE

## FORM A

[See Rule 3]

Form of application for the reference of an Industrial Dispute to a Tribunal under Section 10(2) of the Industrial Disputes Act, 1947—

Whereas an industrial dispute exists between Employers in relation to Bhelatand Colliery, P.O. Sijua, Dhanbad District.

AND

Their workmen (Represented by Colliery Mazdoor Sangh, Katras Road, Dhanbad, Dhanbad District)

It is expedient that the matters specified in the enclosed statement which are connected with or relevant to the dispute should be referred for adjudication by a Tribunal. An application is hereby made under Sub-Section (2) of Section 10 of the Industrial Disputes Act, 1947, that the said dispute should be referred to a Tribunal.

A statement giving the particulars required under rule 3 of the Industrial Disputes (Central Rules,) 1957, is attached.

Sd./- .....  
(1) President, Colliery  
Mazdoor Sangh.

Sd/- S. DAS GUPTA,  
(2) Secy. Colliery  
Mazdoor Sangh.

Sd./- .....

(3) Chief Mining Engineer,  
M/s. Tata Iron and Steel Co., Ltd.,  
Jamadoba, Jealgora P.O. Dhanbad.

*Dated the 1st September, 1962*

To

The Secy. to the Govt., of India,

Ministry of Labour and Employment, New Delhi.

Statement required under rule 3 of the Industrial Disputes (Central) Rules, 1957, to accompany the form of application prescribed under Sub-section (2) of

**Section 10 of the Industrial Disputes Act, 1947:—**

- (a) Parties to the dispute including the name and address of the establishment or undertaking involved  
Colliery Mazdoor Sangh, Katras Road, Dhanbad.  
Vs.  
The Employers in relation to Bhelatand Colliery of M/s. Tata Iron & Steel Co. Ltd., Jamadoba P. O. Jalgora, Dhanbad District.
- (b) Specific matters in dispute  
(a) Whether the workmen should be paid any extra remuneration as difficulty allowance for working in 3½ ft. height 16A Seam and if so what should be quantum.  
(b) Whether the workmen would be justified in refusing to work in 16 A Seam.  
(i) if no difficulty allowance is paid ;  
(ii) even if difficulty allowance is assured.
- (c) Total number of workmen employed in the undertaking affected. 769
- (d) Estimated number of workmen affected likely to be affected by the dispute, or  
70—only those working at present in that Seam. ■  
350—all the minors at present working at Bhelatand Colliery. According to the Management Union. According to the
- (e) Efforts made by the parties themselves to adjust the dispute. to Mutual negotiation.

[No. 8/75/62-LRII.]

*New Delhi, the 28th September 1962*

**S.O. 3073.**—Whereas the Central Government is of opinion that an industrial dispute exists between the employers in relation to the Diamond Tetturiya Colliery, P.O. Katrasgarh, Dhanbad and their workmen in respect of the matters specified in the Schedule hereto annexed;

And whereas the Central Government considers it desirable to refer the said dispute for adjudication;

Now, therefore, in exercise of the powers conferred by clause (d) of sub-section (1) of section 10 of the Industrial Disputes Act, 1947 (14 of 1947), the Central Government hereby refers the said dispute for adjudication to the Industrial Tribunal, Dhanbad, constituted under section 7A of the said Act.

**SCHEDULE**

Whether the management of Diamond Tetturiya Colliery, Katrasgarh were justified in terminating the services of Shri Jamiruddin Mia, Haulage mazdoor with effect from the 6th July, 1962? If not, to what relief is he entitled?

[2/89/62-LRII.]

A. L. HANDA, Under Secy.

